



## EUROPEAN NEWS

## Scant support for Gdansk go-slow

BY OUR FOREIGN STAFF

WORKERS at the Lenin shipyard in Gdansk yesterday appeared to have given scant support to a go-slow call by a secret committee of Solidarity sympathisers, after senior party and government officials visited the yard.

Mr Stanislaw Bejger, first party secretary in the Gdansk region, went to the yard on

Monday and, according to a local newspaper, promised reforms which "will increase workers' salaries and give them more satisfaction in their work." Mr Jaros Urban, the chief government spokesman, was also said to have visited the Lenin yard yesterday morning.

Despite yesterday's response, the clandestine TKZ committee

has put out a leaflet calling for the go-slow to be extended beyond August 31, the anniversary of the accord setting Solidarity up, to mid-September. This move is in protest at the Jaruzelski government's refusal to resume talks with Mr Lech Walesa on union issues.

Mr Walesa, the head of Solidarity, yesterday issued a statement rebuffing government

media attacks on him. He denied that he had grown rich on western money and that he had personally called for the go-slow. A spokesman for the Lenin yard said the tempo of work was normal yesterday, with electricity power consumption above average. Unlike many yards in the West, Polish shipbuilding has kept busy, with steady orders from the Soviet Union.

## U.S. sanctions take toll of meat supplies

BY LESLIE COLT, RECENTLY IN WARSAW

POLAND'S MEAT and poultry supplies have fallen sharply since last summer, and are now just sufficient to provide the population with the amount guaranteed by their ration cards. Poles this year are consuming 54 kg of meat per capita, compared with 75 kg in 1979.

Dr Jozef Koziol, the First Deputy Minister of Agriculture, said agriculture had been hardest hit by U.S. sanctions. The severing of credits for U.S. fodder has led to a 20 per cent decrease in Polish pork production, the main meat consumed in Poland, and a similar drop in poultry, he said.

According to the minister, farmers are obtaining only a third of the state-supplied fodder they were able to buy in 1980. Poland is now importing fodder from the West for cash because domestic fodder alone would sustain a per capita consumption of only 50 kg of meat annually.

Meat shortages and the price of meat have frequently led to labour unrest in Poland. This took place most recently in the summer of 1980, when widespread strikes were triggered by the sale of poorer cuts of meat in new state "commercial" butcher shops at higher prices.

## Price increase

Dr Koziol said there will be a rise in meat prices at the beginning of next year, but that it is difficult to say by how much. On June 1, the government purchase price for meat produced by Poland's more than 3m private farmers was raised by some 10 per cent.

He explained that the Government intends to maintain the relationship between the level of purchase and re-

tail prices. A senior government economist official, however, acknowledged that Poles remain extremely allergic to price rises, and that he would recommend only "mild" increases next year.

Grain harvests were good this year and last, and farmers' deliveries to the Government are at a high level since grain purchase prices were boosted by 30 per cent in June. The policy of the Government, Dr Koziol said, is primarily to buy grain for flour and bread, for which some 6m tonnes a year is needed.

The U.S. Department of Agriculture estimates that Poland this year will bring in a grain harvest of 21m tonnes, compared with 21.2m last year. The potato crop — potatoes are the main fodder for pigs — is expected to be better than in 1982. According to Dr Koziol, although Poland aims

to rebuild its pig and cattle herds, this will be limited by the supplies of fodder. A sharp increase in fodder output is not feasible in the next two years because all farmland is already under cultivation. The only solution, he said, is to introduce new types of fodder crops, use fertilisers better, and increase irrigation.

## Less fish

Polish statistics show that the U.S. embargo has led to an annual decline in poultry production of 340,000 tonnes and of 83,000 tonnes in specialised poultry farms which were based on U.S. maize fodder. Suspension of Polish fishing rights in the U.S. 200-mile zone is said to have resulted in 10,000 tonnes less fish on the market, even though the fishing vessels were relocated to the Falklands region.

Delegation chiefs return to the talks tomorrow, after a hiatus during which Romania, Greece and other participants have been engaged in discussions aimed at softening the Maltese position.

## Bid to end impasse at security conference

By David White in Madrid

THE FATE of the three-year-old Madrid security conference, which only requires Malta's signature to reach its long-awaited conclusion, hangs on a plenary session tomorrow which the remaining 34 participants hope can clear the impasse.

A fresh compromise formula from the neutral group of countries is expected to be put forward by Sweden as the basis of an accommodation. The Madrid session of the Conference on European Security and Co-operation, after finally reaching a compromise between East and West bloc positions on human rights and other issues, has been held in Malta since mid-July by Malta's insistence on additional talks covering security in the Mediterranean.

The proposal, judged impractical by other nations including the U.S., Canada and all the rest of Europe except for Albania, has threatened to hold up the end of the meeting. These are due to make way for a series of follow-up meetings, including a disarmament conference starting in Stockholm next year.

Mr Fernando Moran, the Spanish Foreign Minister, has made clear that, if the Maltese problem is not resolved this week, the final gathering of foreign ministers cannot take place as scheduled on September 7-9.

## Second supermarket giant joins French petrol price war

BY DAVID MARSH IN PARIS

FRANCE'S PETROL price war heated up yesterday as Carrefour, the large supermarket group, joined with the Leclerc discount retail chain in offering motorists fuel at below government-authorised prices.

Carrefour, a European leader in hypermarkets on city outskirts, said it was forced to act to avoid losing customers to Leclerc, whose petrol price cuts have sparked off great controversy this summer.

Both retailing chains — France's top two supermarket concerns — are offering motorists discounts from government-set prices of more than the officially-allowed maximum of 10 centimes at many of their stores.

The Carrefour action seems certain to ambush further the Government, which has already launched several largely unsuccessful, legal moves to try to stop Leclerc.

However, it has brought a delighted reaction from the group run by Mr Edouard Leclerc, an ardent preacher of free-market retail competition, who has been mounting discount campaigns for more than 30 years. Mr Leclerc's son, Michel, who organises the petrol distribution side of the business, said the Carrefour move was "positive" as the Government could no longer claim that the

discount operation was merely a publicity campaign.

The Leclerc action, although clearly popular with motorists, has faced sometimes violent opposition from rival petrol stations. A string of Leclerc pumps and petrol stations around the country have recently been damaged or occupied in reprisal.

Mr Michel Leclerc said last night that a "fundamental debate" about government price controls on petrol should now be opened up. "The more we are together in this, so much the better," he said. "It is time that the big French distributors took action rather than to hide behind negative statements."

Leclerc stores were offering 20 centime discounts. A total of 58 legal action had been launched against the group since the summer outbreak of price-cutting, 41 of which Leclerc had won. In several cases, the dispute has been referred to the European Court. Under EEC rules, distribution monopolies are meant to be illegal.

The official ceiling price for petrol in France varies between FF 431.1 (40p) and FF 5.03 (41p) per litre of super-grade depending on the region.

## Divisions on EEC farm reform start to emerge

By Paul Chesworth in Brussels

DIVISIONS AMONG European Community countries about the way in which spending on the Common Agricultural Policy should be held back surface yesterday as senior officials prepared the way for an important ministerial negotiating session next week.

The officials were meeting to examine proposals advanced by the European Commission for farm spending reform.

The early disagreement emphasised the difficulties and complexities of settling a reform package for the next negotiation at the next EEC summit to be held during December in Athens.

Delegates noted that although there was general agreement about the need to consider reforms together and not in isolation, the outlines of national positions beginning to emerge showed sharp variance over the component parts of a package.

The sharpest single problem was said to be the spending on the dairy sector, the largest consumer of funds in the farm budget, which in total next year will absorb over 20 per cent of the whole EEC budget.

The Commission has suggested that milk production over a certain quota level should attract a special levy to be paid by the farmer.

This idea attracts Britain and West Germany, the two countries most broadly interested in restricting farm spending but delegates said it had run into opposition from Belgium and Greece.

France and West Germany, meanwhile, were said to be taking different positions on the Commission aim of phasing out "monetary compensation amounts" the system used to bridge the gap between the expressed and the common EEC unit and national currencies.

West Germany wants them to stay. France wants them to go. It was being stressed yesterday, however, that no country is withdrawing its hand. The negotiations will be carried out by minister. "We're a few months away from the crunch yet," said one official.

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## Concern over Irish rail safety

BY BRENDAN KEENAN IN DUBLIN

THERE IS GROWING concern about the safety record of the Irish railway system after Sunday's crash in which seven people died near Dublin. The national railway company, CIE, has refused to comment on newspaper claims that its record is 12 times worse than that of British Rail.

The comparisons are difficult because of the small size of the Republic's rail network, with less than 1,000 miles of main-line routes. Until 1974 there had not been a fatal accident in 60 years. Since then, there have been seven major incidents, the worst being in County Cork in 1980, where 18 people died when an express was accidentally diverted into a siding.

Irish newspapers have been speculating in advance of the public enquiry that inadequate investment is one of the reasons for recent accidents. CIE trains are not equipped with automatic braking systems such as those in use on BR. Sunday's fatalities occurred in one of the 30-year-old wooden coaches which were condemned at the inquiry into the 1980 disaster.

However, Sunday's crash occurred on the part of the network equipped with modern automatic signalling. Lack of development in the rail service may have contributed to a lowering of morale and standards among the staff.

The Irish railways lose about £170m (£55m) a year, but Government funds have been made available to replace antiquated coaches and the first of the new rolling stock is due to be delivered next year.

CIE is also to get an annual subvention "above the line" instead of having its deficit covered by the exchequer as at present, but is at loggerheads with the exchequer over grants from the EEC.

The Community's regional development fund contributed an undisclosed sum — believed to be about £120m — towards electrification of the Dublin suburban lines but the hard-pressed Irish exchequer did not regard this as additional to the annual subsidy and CIE has had to borrow £380m.

## Danish admiral attacks lack of mine-sweepers

By Hilary Barnes in Copenhagen

THE DANISH navy's capacity to sweep mines from Denmark's waters is "virtually non-existent," according to Rear Admiral Olfert Fischer, chief of the navy's operational command.

Budget cuts have reduced the number of mine-sweepers from six to three, he said. If the Warsaw Pact really wanted to make trouble, it could sow mines on the most important ferry routes and outside the main ports without any trouble.

One of Denmark's Nato tasks in time of war would be to keep the Baltic entrance open.

## Palme wants three nuclear-free zones

Prime Minister Olof Palme

Sweden on a three-day official visit to Greece, has called for three nuclear-free zones to be established in Europe — in the Balkans, Scandinavia and Central Europe. AP reports from Athens.

Mr Palme endorsed the proposal of Andreas Papandreu, his Greek counterpart, for a six-month delay in deployment of Cruise and Pershing-2 missiles in Europe.

## Spanish bank draws grim conclusion from job study

BY OUR MADRID CORRESPONDENT

SPAIN, which is struggling with the highest unemployment rate in Europe, will still have 13 per cent of its active population out of work in 1986 even if the Government achieves its job-creation target, according to a study by the Banco de Bilbao.

The Government wants to add 800,000 jobs over four years, but serious doubts about this target have grown since then. Mr Carlos Solchaga, the Industry Minister, is on record as having described it as "almost impossible."

The Banco de Bilbao study concludes that if total employment is maintained at the 1982 level, the jobless rate will climb

to 18.5 per cent at the end of the decade. The study also reckons that the active population will increase by 400,000 during this period, with most newcomers to the job market being women.

Official statistics showed 2.1 per cent of work in Spain at the end of July, or 16.5 per cent of the labour force. The main growth in unemployment has come in the construction industry and among young people looking for their first job.

Meanwhile, the number of openings for Spaniards to do temporary work on French yards during harvest time is likely to continue declining.

## UK NEWS

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## Insurance curbs planned

INSURANCE companies which are not authorised to do business in the UK may find it difficult to market their products in the UK if new proposals from the Department of Trade and Industry (DTI) to control unauthorised insurance companies are put into operation.

At present unauthorised insurance companies can market their products in the UK only through third parties, and there are strict controls on advertising.

But the collapse of Signal Life and Cavendish Life — two companies in Gibraltar — showed that the present system did not protect the consumer in the UK.

The DTI has sent a consultative document to the main professional bodies in the UK insurance industry setting out its proposals to tighten controls on unauthorised "life" companies.

Two options are set out — controls which would forbid unauthorised companies from advertising in the UK without permission, or a complete ban on the soliciting of business in the UK.

Companies established in other EEC countries, or in countries with acceptable supervisory standards, would be exempt from the proposed controls.

MR JOHN HUME, leader of the SDLP, Northern Ireland's main Roman Catholic party, will not be joining the Rev Ian Paisley, his political rival, on a mission to the U.S. next month to seek industrial investment. He said the trip clashed with sittings in Dublin of the New Ireland Forum which is drawing up proposals for new political structures in Ireland.

A STRIKE by 180 National Coal Board (NCB) electricians, which has stopped work on two coal preparation plants in the Barnsley area of Yorkshire, is threatening the viability of seven pits according to the NCB. Electricians are objecting to the hiring of private contractors.

BRITISH AIRWAYS' legal action in the High Court to stop British Midland Airways competing on the Heathrow, London to Belfast route, is to be held in private chambers, possibly later this week.

A STRIKE by the low-cost U.S. airline Express, which began operating on North Atlantic routes this summer, carried an average of 408 passengers on each flight, an average load factor of more than 90 per cent, figures by the British Airports Authority show.

## TUC likely to win backing for dialogue with Government

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE TRADES Union Congress (TUC) seems certain at its annual meeting at Blackpool in two weeks' time to decide by a substantial majority to enter into a full discussion with the Government on its programme of legislation aimed at tightening controls on unions.

This far-reaching shift in policy, foreshadowed by last week's talks on more minor matters between union leaders and Mr Norman Tebbit, "Employment Secretary," was signalled yesterday when TUC leaders managed to draw left and right-wing factions together in a decision to hold "reasoned discussion" with the Government.

A resolution to this effect, to be put to the Congress, already has

1.5m of the TUC's 10.5m votes committed to support it. It is expected, three of the largest unions at present uncommitted also decide to give the resolution their support. It will have more than 6.5m votes — or nearly two-thirds of the total.

Although the resolution framed yesterday is shrouded in war-like rhetoric, the essence of the decision is contained in a central passage originally proposed by the Civil and Public Services Association.

This states that Government plans for legislation are best opposed by reasoned discussion and explaining to the public the "unfair and impractical nature of the proposals." It instructs the TUC to "dissuade the Government from taking further legislative steps."

Steel workers recalled after £18m Shell order for gas pipelines

BY IAN RODGER

BRITISH STEEL Corporation (BSC) is recalling 220 workers at its Hartlepool plant after winning an £18m order for 40,000 tonnes of pipe for Shell/Esso's Fulmar gas pipelines.

This contract, together with two others BSC has won in the North Sea in recent months, also helps to protect the 267 remaining workers at the Hartlepool plant mill on the north-east coast of England.

"Amid all the gloom, this is great news and a boost for us all," Mr Jim Mackenzie, managing director of BSC Plates, said. "Our task now is to go on giving an impeccable performance so that we can win more orders on merit, and at a profit to keep our facilities in operation."

The Hartlepool plant mill was closed in January, and only 31 employees were retained to keep it on a care-and-maintenance basis. In May this year, BSC announced it would "stand down" the nearby plate mill, with the planned loss of 977 jobs. However, a single shift of 267 workers was retained in the hope of new orders arriving soon.

BSC won a contract to supply over 14,000 tonnes of plate. Total Oil Marine's Alyn North development, and earlier this month it won another order for £10m worth of plate for Britoil's Clyde field development.

The latest contract is for the major portion of steel pipe for a 180 mile (290 km) pipeline to carry gas from the Fulmar field, 170 miles (273 km) east of Dundee to St Fergus where the gas and gas liquids will be separated.

Shell UK Exploration and Production, the operator for the consortium, said BSC won the order by being able to meet stringent specifications and an exacting delivery schedule.

Shell said the £18m Fulmar gas project offered British industry the opportunity to bid for the supply of £150m worth of goods and services over the next year.

BSC's pipe contract is to be completed by March 1984. No guarantee of work for the pipe mill has been given beyond that date.

## Efficiency drive urged in state gas

By Roy Daffer, Energy Editor

BRITISH GAS Corporation should raise tariffs, improve efficiency and work more constructively with Government, according to an official management report published yesterday.

The report is the result of an efficiency study by the accountancy firm, Deloitte, Haskins and Sells, who were commissioned by British Gas and the Energy Department. It urges changes in the corporation's management structure so that senior executives have more time to "concentrate on strategic planning and the acquisition and use of key resources, and to give attention to relationships with Government."

Present tariffs were sufficient to cover the average costs of supply (a fact reflected in the corporation's record profit of £863m in 1982-83). But the cost of supplying more than one fifth of regional sales during the financial year exceeded the average revenue by nearly £50m before earning a return on assets, the report found.

If all gas had been priced to cover marginal costs including a 5 per cent return on assets, more than £500m of additional revenue would have been generated. Although the corporation had consistently met its financial objectives, set by the Government, it was questionable whether the objectives had been sufficiently precise or stringent to ensure maximum efficiency.

It was recommended that British Gas should be required to maximise profits "within a framework of constraints on prices and standards of service that are designed to ensure that its monopoly position is not abused."

"We believe that without the pressure to maximise profits it is very difficult to create a management environment that encourages the sustained search for efficiency," the report said.

"Considerable reservations" were expressed about the suitability of the corporation's organisational structure. A study was needed to identify suitable business units with a view to formulating a more decentralised structure.

Potential cost savings of up to £100m a year were identified as a result of examining operations in the corporation's 12 regions. While praised for its offshore exploration successes, project control methods on the Rough and Morecambe gas fields were criticised.

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The other half is a video recorder with a video camera. It's a combination of a video camera and a VTR that's strictly portable.

## Domestic sales give lift to W. German electricals industry

By Jonathan Carr in Bonn

THE WEST GERMAN electrical industry is more confident about business prospects, thanks to fairly strong growth in home demand in the first half of the year. But exports are weak and the industry is employing fewer people.

The industry's association said yesterday that overall orders rose by a nominal 2 per cent against the first half of 1982 because of a boost of 6.4 per cent at home. Foreign demand fell by 5.7 per cent.

Producers of electrical investment goods did better than the average for the industry and are marginally happier about the outlook than they have been for the past few years.

Domestic orders for investment goods rose by 7.2 per cent (against only 3.1 per cent for consumer durables) and domestic sales were up by 4.4 per cent. The industry's overall sales rose by 3.7 per cent in the first half.

The relatively stronger demand for investment goods is one sign of the gradual upswing in domestic economic growth after two years of decline. Many experts think the upturn will gather strength during the rest of this year and in 1984.

Nevertheless, a big question-mark remains over many key West German export markets. It is unclear how far domestic revival may be able to make up for slack demand from other countries suffering from high interest rates and low investment.

Use of capacity in the electrical industry picked up slightly in the first half—by 3 per cent to 78 per cent. But there is a very long way to go before rising demand forces companies to take on more labour.

At the end of June, there were 802,000 employed in the first quarter, 20,000 fewer than at the end of 1982. The number of those on short time work also fell considerably.

## Portugal's current account deficit falls to £436m

By Diana Smith in Lisbon

PORTUGAL'S current account improved markedly in the first quarter of this year compared with the same period of 1982. Figures announced this week by the Bank of Portugal show that the deficit, which reached the record height of £1,086m (£709m) in the first quarter of last year, receded to £436m (£270m) in the first three months of 1983.

This was due to strong repression of imports by the former Government headed by Mr Francisco Balsemão, after the current account plummeted £3.3bn into the red at the end of last year. The former administration discouraged imports by subjecting licences to bureaucratic delay, and made cuts in the imports of grain and crude oil. Portugal's most onerous overseas purchases.

Grain imports in the first quarter dropped nearly 15 per cent in volume; oil imports were reduced by nearly 25 per cent compared with 1982 levels. Such drastic measures could only be stopgaps, however. Portugal depends on imported grain and animal feed for more than half of basic needs in a good year—and demand this year for imported grain has inevitably mounted because of the long winter drought. Total imports were £2,067m in the first quarter, this year compared with £2,479m in January-March 1982.

The Bank of Portugal figures also reflect a modest upturn in exports in dollar terms in the first quarter. Exports were \$1,085m this year compared with \$1,023m in 1982. Tourism brought in \$147m against \$39m.

A performance clause in Portugal's letter of intent with the International Monetary Fund initiated on August 8 demands reduction of this year's balance of payments deficit to \$2bn and a decrease in 1984 to \$1.25bn. Mr Morio Soares's Government recently put strict quotas on the import of consumer goods for the next seven months.

## An attack of the shakes moves Pozzuoli to action

By Rupert Cornwell in Rome

THE 75,000 inhabitants of Pozzuoli have had enough—and it is easy to see why. Since the start of 1983, the crowded little town a few miles northwest of Naples has experienced no less than 2,000 earth tremors: 180 so far in August alone.

The ground has risen some 73 centimetres in parts of the city. Several of Pozzuoli's already inadequate roads have had to be closed, many

buildings of 19th century have been seriously damaged, and activity at the fishing port, one of the main props to the local economy, has been disrupted.

An abstract scientific word—bradisismo—has also entered the common language. Literally, it means "slow earthquake," as opposed to "fast" ones of the type which devastated a swathe of Campania, inland from

Naples, in November 1980, killing almost 2,000 people. But for Pozzuoli, the slow earthquake is proving akin to death by a thousand cuts. On Monday morning, after the 2,000th tremor, registering grade four on the Mercalli scale, its patience ran out.

Thousands took to the streets demanding something finally be done by local and national government to

increase their security. Roads and railways were blocked, in some cases by boulders, and the demonstrations ceased only in the afternoon, after representatives of the city government had registered a formal plea with the state authorities.

The culprit for these latest tremors, as for the myriad others of the past, is the Solfatara, the extinct volcano between Pozzuoli and Naples.

It emits occasional rumbles, adding to the general nervousness of the nearby inhabitants. But experts say there is no danger of an eruption, or even of disturbances like those of 1970 which caused part of Pozzuoli to be evacuated.

For thousands of years, the Solfatara has in fact been playing upon imaginations. Virgil considered it one of the entrances to the underworld,

and close by up the coast is the mysterious and evocative shrine of the Cumaean Sybil. But for modern Pozzuoli, it is the present which matters. Sir Vincenzo Scotti, the new Minister for Civil Protection, is paying a visit today, to preside over a meeting of experts and officials. Whatever they come up with, however, is unlikely to set local minds at rest.

## Yugoslavia may widen price curbs

By Aleksandar Lebić in Belgrade

THE YUGOSLAV authorities have warned that their recent actions—rolling back bread price increases and fixing beverage producers for exorbitant price rises—may be followed by similar moves in other sectors, in a bid to restrain renewed inflation.

The new surge in inflation, which is pushing the annual rate of price rises up to 40-50 per cent, follows the end of a 12-month price "freeze" on July 28. Even during this so-called freeze, retail prices jumped 33 per cent.

In its latest report in July, the Organisation for Economic Co-operation and Development singled out "the permanent tendency towards high inflation" as the country's worst structural problem.

The OECD complained about the inflationary impact of the policy—prescribed for Yugoslavia by the International Monetary Fund—of faster currency depreciation. So far this year, the dinar has sunk by 50 per cent against a trade-weighted basket of convertible currencies and by 60 per cent against the U.S. dollar alone.

## Frontier 'attack'

Vandals from the West crossed the frontier and "destroyed border security devices," East Germany claimed yesterday in a protest to the Bonn Government. AP reports from Berlin. A West German spokesman confirmed that an automatic firing device which East Germany attach to wire fences to hinder border crossings had been destroyed.

## Unemployment the only blot on Swedish economic recovery

By Kevin Done, Nordic Correspondent in Stockholm

"IN THE Social Democrats' Sweden there were never 153,000 unemployed." This was the proud boast of the election posters just under a year ago, as Sweden's Socialists fought to wrest back power from the Centre-Right coalition after six years in the political wilderness.

Nearly 12 months later Olof Palme's Social Democrat administration is facing more than 154,000 out of work—not to mention the country's hidden unemployed—close to 100,000 people outside the labour market who are only kept off the unemployment register by costly job creation measures.

The Swedish economy is showing clear signs of recovery with growing exports, increasing production and rising orders from abroad, a big improvement in the current account, a booming stock market and sharply rising company profits.

The official unemployment rate, at only 3.4 per cent in July, would be the envy of many of Sweden's neighbours, but despite the economic upswing the number out of work appears set to continue rising at least for the next year, according to Mr Kjell-Olof Feldt, the Swedish Finance Minister, and the trades unions are becoming restive.

The Swedes have had to endure three years of declining real disposable incomes, and trades union leaders will be reluctant to accept another settlement below the inflation rate next year. Mr Stig Malm, leader of the blue-collar workers who usually set the pace in the wage round, has already suggested his members

will be seeking an increase of as much as 11 per cent.

The battle to lower inflation and hold down wage costs is one of the major challenges facing the Social Democrats, after a first year in office which began with a 16 per cent devaluation of the Swedish Krona.

## Trade surplus

The devaluation, which was a nasty shock for Sweden's Nordic neighbours—was aimed at restoring Sweden's industrial competitiveness and regaining lost shares of international markets. The hopes for boost to exports has begun to show through clearly in the monthly trade figures and the initial damage to the trade balance from dearer imports has been minimised by continuing weak demand in the domestic economy which has forced importers to hold down price increases.

From January to July this year Sweden showed a trade surplus of SKr 10bn (£839m) compared with a surplus of only SKr 4.6bn in the corresponding period last year. The value of exports jumped by 24 per cent and the volume of exports grew by 10 per cent compared with a rise of only 3 per cent in the volume of imports.

Swedish exporters have been recording their chief successes in their five established main markets: Norway, West Germany, the UK, Denmark and the U.S., which have increased their share of total Swedish exports to around 50 per cent from 46 per cent last year.

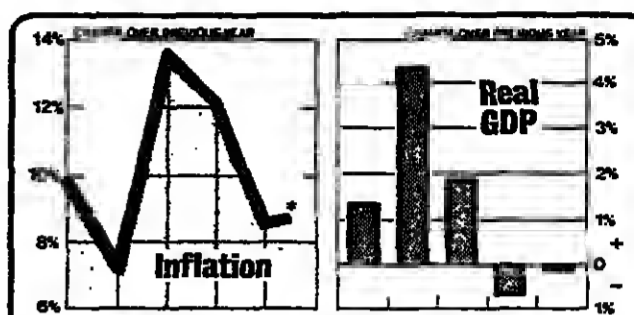
One of the biggest structural problems in the Swedish economy remains the fact that its industries remain too small during the second half of the 1970s, as exploding costs helped to price companies out of international markets. The loss of export competitiveness led to a rapid deterioration in the country's current account of the balance of payments.

A devaluation two years ago helped to offset some of the disadvantages faced by exporters, but the big boost came from the 16 per cent devaluation last October. According to Mr Rudolph Jalakas, senior economist with Svenska Handelsbanken, Swedish industry now has a more favourable competitive position than at any time during the last 10 years.

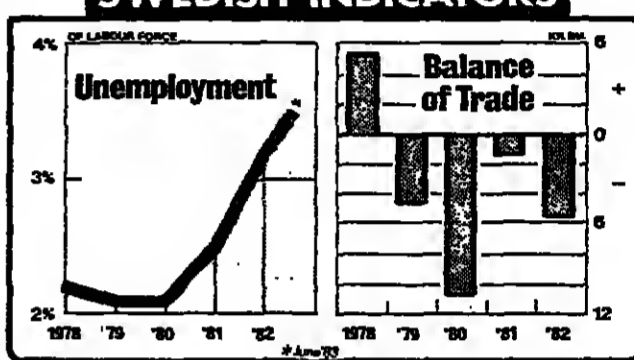
Industrial production has risen steadily, with an increase of 8 per cent from the low point reached in August last year. Increases in output this year of 1.7 per cent in the second quarter, 1.5 per cent in the first quarter and 1.2 per cent in the final quarter last year have been made possible by sharply rising foreign orders. Helped by the strength of the U.S. dollar, Sweden's multi-round from the recessionary years of 1981 and 1982 when GDP shrank by 0.7 and 0.1 per cent.

The Swedish Confederation of Industry is forecasting a further growth of 1.8 per cent in GDP next year, while the OECD is rather more confident, suggesting a rise of as much as 2.5 per cent. Much clearly depends on the durability of the world recovery.

With such early successes behind them the Social Democrats can perhaps claim with some justification that they are



SWEDISH INDICATORS



modest expansion in the economy which could see a growth of 1.7 to 2 per cent in Gross Domestic Product (GDP) in 1983, a marked turnaround from the recessionary years of 1981 and 1982 when GDP shrank by 0.7 and 0.1 per cent.

The Swedish Confederation of Industry is forecasting a further growth of 1.8 per cent in GDP next year, while the OECD is rather more confident, suggesting a rise of as much as 2.5 per cent. Much clearly depends on the durability of the world recovery.

With such early successes behind them the Social Democrats can perhaps claim with some justification that they are

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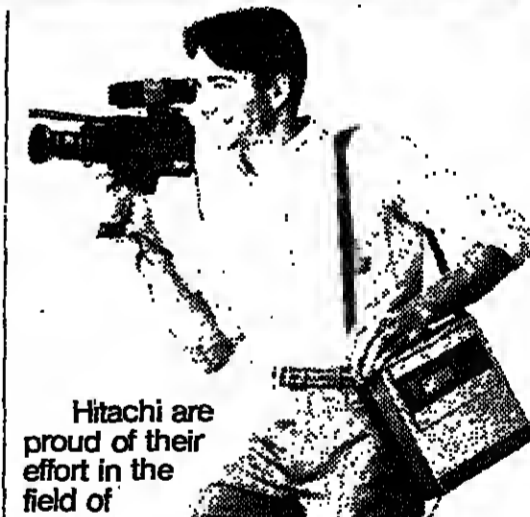
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## OVERSEAS NEWS

## French envoy tries to speed diplomatic solution over Chad

BY DAVID MARSH IN PARIS

THE FRENCH Government, which is resisting calls from Chad for more active military support for the regime, yesterday sent a special envoy to Africa to try to speed a diplomatic solution to the Chadian conflict.

Mr Maurice Faure, the Radical party deputy who is head of the National Assembly's foreign affairs committee, was due to leave for Addis Ababa last night for talks with Ethiopian president Mengistu Haile Mariam, the current chairman of the Organisation for African Unity.

News of Mr Faure's mission, which followed a meeting between members of the commission and M Claude Cheysson, the Foreign Minister, came amid increasing signs of France's reluctance to step up further its military support for ennobled Chad President Hissene Habré.

Following the landing of French combat aircraft in the Chad capital N'Djamena on Sunday M Habré made clear that he welcomed the arrival of the air force but wanted more French military aid to ward off the threat of attacks from Libyan-backed rebels holding the north of the country.

Suspicion is, however, growing in Paris that Mr Habré is overstating the immediate threat of a rebel advance on N'Djamena in order to win more French weapons and material to help his forces launch a northern counter-attack.

This suspicion is backed up by diplomatic reports that Libyan-backed forces built up in the rebel-held North have not made any significant advances southwards since recapturing the key oasis town of Faya-Largeau a fortnight ago.

Foreign diplomats in Paris and the French Government believe that M Habré may be tempted to try to retake Faya-Largeau. France, however, believes that a fresh outbreak of fighting in the North - in which French soldiers could become involved - would not be the best prelude to reaching a diplomatic solution to the conflict.

The only gradual response by the Paris Government to M Habré's pleas for more men and military



hardware thus seems a deliberate way of restraining his ambitions to restart the fighting.

The French Defence Ministry was yesterday still sticking to the line that around 2,500 soldiers were involved in the Chad operation - just over 1,000 in Chad itself with another 1,500 standing by in neighbouring Central African Republic. The number in Chad could, however, be up to 1,000 more than the Government is admitting, according to press reports from N'Djamena.

General Jean Pol, nominated by the Government to take charge of the Chad operations, arrived on Monday with a further 80 air force commandos, officially bringing to a close the present phase of troop reinforcements.

Four air force Jaguar fighter-bombers and four Mirage F1 fighters are still stationed at N'Djamena airport. Two other Jaguars which arrived on Sunday morning have since left Chad.

On the diplomatic front, M Roland Dumas, the envoy sent by President François Mitterrand for talks in Tripoli last week with Libyan leader Col Muammar Gaddafi, has been rumoured to be on the point of making another visit to Libya. He said, in a newspaper interview published yesterday, that he wanted to keep silence about future missions "as a condition of their efficiency."

## UN Secretary-General starts Namibia talks

BY J. D. F. JONES IN JOHANNESBURG

DR JAVIER PEREZ DE CUELLAR, the United Nations Secretary-General, yesterday opened two days of talks with the South African Government over the future of Namibia (South-West Africa).

The UN party met Mr P. W. Botha, the South African Prime Minister, and held talks with Mr P. K. Botha, the Foreign Minister, and General Magnus Malan, the Defence Minister. Earlier Dr Perez de Cuellar spoke of the "inordinate delay" in reaching a settlement on the independence of Namibia. Tomorrow he is due to fly to Windhoek, where he will probably meet some of the internal party leaders in the territory. He then moves on to the Angola capital of Luanda where he is expected to meet Mr Sam Nujoma, the leader of the South-West African People's Organisation (SWAPO).

Although Dr Perez de Cuellar referred on Monday night to "a few outstanding issues" obstructing the progress of Namibia to independence elections, there is considerable scepticism that he will find an easy success where the contact group of five Western nations has so far failed.

Part of the Secretary-General's problem is that the basic obstacle to a settlement remains the insistence of the South African Government (supported by the U.S. Administration) that a settlement should be "linked to the withdrawal of Cuban troops from Angola."

This is not a subject which technically falls within Dr Perez de Cuellar's brief, though it is hardly possible for it not to be mentioned in Cape Town in the course of these talks.

## Shagari edges towards two-thirds Senate majority

BY OUR FOREIGN STAFF

THE National Party of Nigeria (NPN), led by President Shehu Shagari, has won 41 of the 70 senate seats so far declared and may be within reach of a two-thirds majority in the 96-member body.

The success of the NPN in the presidential polling, when Mr Shagari had a 4m majority over his nearest rival, Chief Obafemi Awolowo of the Unity Party of Nigeria (UPN), appears to have had a bandwagon effect on subsequent polling.

The NPN has won 13 of the 19 state governorships (although at least two results will be challenged) and has already improved on its 1979 election performance in the senate results. On that occasion the NPN won 38 seats, the UPN 28 and the Nigerian People's Party (NPP) 10.

Two further rounds of voting are scheduled, with elections for the House of Representatives

tives due to take place on Saturday, followed by State Assembly polls on September 3.

Of the Senate results declared so far, the UPN has won 12, the NPP 11, the People's Redemption Party (PRP) 5 and the Green Nigeria People's Party (GNPP) 1.

Should the NPN win a two-thirds majority in both the senate and the House of Representatives, President Shagari will, for the first time since he took office in 1978, have unchallenged legislative authority to implement NPN policy.

Meanwhile, the defeat of the former Biafran leader, Mr Chukwuka Okwuike, for one of the five senate seats in his home state of Anambra has been officially confirmed. The outcome is a blow to the political ambitions of Mr Okwuike, who is seen by some as a successor to the ageing Dr Nnamdi Azikiwe as the leader of the Ibo people of eastern Nigeria.

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## Iraq just manages to balance its books

By Patrick Cockburn in London

AS the third anniversary of the start of the Iran-Iraq war approaches, the main threat to Iraq is less of defeat on the battlefield than of economic attrition.

It is now over a year since the Iraqis won a major battle against the Iraqi army. The war front has stabilised since Iran retook the port city of Khorramshahr and captured 30,000 prisoners. Iranian troops almost broke through to Basra, Iraq's second largest city.

Today the Iraqi army is still straining to defend the long border with Iran, especially since Iran opened a new front in the mountains of Kurdistan last month. But it defeated two Iranian assaults earlier this year in the flatlands north-east of Basra, where most of the fighting is concentrated.

However, it is the economy and the social strains of the war which are causing more concern. The problem is simple enough: Iraq started the war with reserves totalling some \$30bn, which have now dropped to between \$2bn and \$3bn. Figures from the Bank for International Settlements show Iraqi foreign assets outside the U.S. at only \$1.2bn at the end of 1982.

As if to emphasise the seriousness of the financial situation, Iraq's President Saddam Hussein this month suddenly dismissed his Finance Minister, Mr Tamer Razouki.

Iraq is wholly dependent on its oil exports: its next biggest export in 1980 was dates. But its main oil terminals in the Gulf were destroyed by the Iraqis in 1980 and the trans-Syria pipeline closed last year, making it wholly reliant on the 625-mile-long pipeline from Kirkuk to the Mediterranean via Turkey, through which a maximum of 750,000 barrels a day (b/d) of crude can be exported.

The revenues this produces are by no means enough to pay for Iraq's needs. Apart from the costs of the war, which could be as much as \$1bn a month, a vast range of military equipment has been ordered from suppliers such as the Soviet Union and France.

Iraq's financial position worsened in 1980-82 because of an extraordinary surge in Government spending. In 1981 alone, when ministries in Baghdad appeared to have no restraints on their spending, contracts worth at least \$23bn were owed in the civil sector. Iraqi cities were crowded with foreign contractors and their workforces.

This could not last while the war went on. Last year few new contracts were awarded and by early 1983 almost all foreign companies were asked to find finance for their projects if they wished them to continue. There were few exceptions, apart from those schemes connected with the war effort.

Initially, the ministries in Baghdad and the central bank showed a lack of experience in arranging credit. Many companies complained of arrogance. Officials of the major Japanese trading houses were irritated that the Iraqis summoned them to Baghdad to arrange a \$1.5bn rescheduling, rather than visiting Tokyo to do so.

The Iraqi Government delayed too long before making the spending cuts and there was also a shortage of experienced staff at the central bank and ministries to negotiate the new credit arrangements.

Since then, Iraq has been more successful in organising credit. France has been particularly co-operative and has just arranged a \$1bn loan which will fund French civil contractors, but inevitably there have been casualties.

In Britain, Kier International, a subsidiary of French Kier, is taking legal action against Iraq to terminate an expressway contract for which the Housing and Construction Ministry in Baghdad called in the performance bonds last month. The French Kier group has had to pay £13m. Other companies have found their work declared not up to standard and payment delayed.

It is unlikely that Iraqi oil revenues will increase much, so the future of the economy is now dependent on the length of the war and aid from Gulf oil states. This aid was generous at the start of the war, but as oil exports and revenues drop there is a resistance to further payments from Kuwait, the United Arab Emirates and Qatar.

Saudi Arabia is the key donor. Earlier this year aid was put at \$1bn a month, but the present level is unclear. It does, however, include oil revenues from the sale of 225,000 b/d of crude. Many bankers hope that Saudi Arabia will ultimately bail Iraq out because of its fear of the spread of the Iranian revolution.

Their hopes will probably be realised. Despite the Iranian offensive in Kurdistan, there is no sign that the Iraqis are capable of cutting the one remaining Iraqi oil pipeline. Interest payments on the debt which Iraq is now piling up may be difficult to meet if the war goes on, but at present levels of expenditure, Iraq has just enough money for the war and essential civil imports. There is, however, no margin for error.

## Careful expansion in first Hawke budget

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE AUSTRALIAN Labor Government yesterday presented its first budget since it came to power last March with a projected deficit of A\$8.4bn (£4.9bn), nearly double that of last year.

Forecasting an economic growth rate of about 3 per cent in 1983-84, Mr Paul Keating, the Australian Treasurer, said that the coming year held the promise of "considerable improvement" in the country's economic performance. But he warned Australians that the country's problems were deep-seated and could not be solved "quickly or by precipitate action."

Labor's broad policy, said Mr

Keating, was to "provide the maximum fiscal stimulus to the economy consistent with its anti-inflation objectives, but without placing undue burdens on interest rates or the balance of payments."

In recent weeks, Mr Bob Hawke, the Prime Minister, has taken firm action to blunt demands by his Left wing for a deficit of A\$10bn. Mr Keating said the net cost of Labor's new expenditure initiative was about A\$650m, and that the Government had achieved its objectives by a genuine re-ordering of priorities.

Total outlay on social security and welfare will rise by an

estimated 19.3 per cent, to A\$16.8bn. In 1983-84, while extra money will be spent on employment and training, housing, capital works (including a major upgrading of airports), education, overseas aid and tourism, defence spending will rise 10.4 per cent, to A\$5.35bn. An aid package worth A\$100m a year for the Australian steel industry has already been announced.

Last night Mr Keating said that spending under the Industrial Research and Development Incentives Scheme would be boosted by 36 per cent to A\$71.6m, mainly to aid develop-

ment of new technology. The Treasurer unveiled higher excise duties, raising the price of petrol by 2c a litre, cigarettes by 3c a packet and beer by 3c a bottle. In future, duties will be raised on a six-monthly indexed basis. Measures to encourage the maximum absorption by refiners of domestically-produced crude oil will raise estimated crude oil levy receipts by A\$245m.

The anticipated budget deficit for 1983-84 of A\$8.4bn represents 4.5 per cent of estimated Gross Domestic Product, compared with 2.5 per cent in 1982-83. Mr Keating said that 1983-84 deficit would prove

"highly expansionary," but would be "well within" what which we inherited after our predecessors' period of pork-barrelling."

He said the task of financing the deficit responsibly would be considerable, and that over the year to next June the Government would contain M3 growth in the range of 9 per cent to 11 per cent, against an estimated 13 per cent in the 12 months to July, 1983.

Total public expenditure growth in 1983-84 is expected to be about 4.5 per cent in real terms with aggregate real non-farm product likely to increase by about 2 per cent for the year as a whole.

## Chris Sherwell in Manila reports on the aftermath of a murder Serious embarrassment for Marcos

SUNDAY'S BRUTAL slaying in Manila of Senator Benigno Aquino, the Philippines' leading opposition figure, has provoked profound expressions of shock, forthright promises of a full investigation, and endless speculation over the mysterious circumstances surrounding his death. But, in the view of many, it seems unlikely to change the local political picture very much, at least for the moment.

On the face of it, the immediate crisis may already have passed. President Ferdinand Marcos, with his wife and cabinet members at his side, went on live television late on Monday night to dismiss all speculation in this rumour-flooded city, and even wonder a little himself about the motives of the unhappy about the senator's return from exile in the U.S.

For the legal political opposition, which wants President Marcos to take responsibility for the appalling lack of security at Manila airport, the assassination has been depressing and dispiriting. Sen Aquino, an experienced operator in the Filipino political maelstrom, offered the splintered coalition a real prospect of unity ahead of next year's scheduled national assembly election.

An articulate, energetic and flamboyant figure, Mr Aquino, at 50, stood in stark contrast to the ailing 65-year-old President Marcos, whose physical appearance on Monday night shocked both foreigners and Filipinos. Even if the Senator had been charged on arrival on the arrested, still pending against him, he would have been the best hope of an end to 17 years of Marcos rule.

But whether he could have achieved such a goal is open to question. The legal opposition, known as the United Nationalist and Democratic Organisation (UNIDO), finally came together as a party only in June. Its political base lies in the middle classes, although it has already nationalised plans which could have wider appeal among a population where anti-American sentiment is reputed to be growing.

It does not however have the organisation or the resources to take on President Marcos's New Society Movement and win. Mr Aquino's fragmented character persists if its reaction to the Aquino assassination is any guide.

Although its well-known President, Assemblyman Salvador Laurel, and a couple of associates reacted visibly to the killing, the group seemed incapable of organising a quick popular response to the incident.

For both UNIDO and the Government, another test is now about to come. Mr Aquino's wife and family are due to return to Manila today to make plans for her husband's funeral. If the lengthy queues of mourning Filipinos who turned up to see the senator's body are anything to go by, the funeral will be crowded. It is expected to be restrained unless either side handles it insensitively.

But it may be that the unofficial underground opposition to President Marcos poses more of a threat to his power.

The chief source of resistance to the President is the Communist Party of the Philippines, whose military arm, the New People's Army (NPA), has been fighting a guerrilla war in many provinces for decades.

Reliable assessments of strength are difficult to come by, but the Government acknowledges an NPA strength of 5,000 to 5,500 men. Diplomats put the figure higher, and agree that the worrying feature is the movement's expansion, both in support and in territory. The Government says this expansion happened only since it ended nine years of martial law in January 1981.

In addition, there is resistance from the Moro National Liberation Front (MNLF), an extreme Muslim group, which has been fighting for 13 years in the southern island of Mindanao. The MNLF, whose Libyan support has been curtailed, is widely reckoned to have been subdued, if not suppressed.

Only about 5 per cent of the country is Moslem, so the

Government faces little political difficulty on this front. Deep splits in the MNLF had helped considerably, and the Marcos Government has offered money, land and jobs to entice its members to surrender.

Buttressing these underground movements has been growing rural discontent fuelled by the excesses of the Government security forces and the overall impact of the Philippines' disjointed economic evolution. Dissatisfaction with the Government is also apparent in the deprived urban areas, especially in the sprawling capital, whose population has grown to 6m out of a nationwide total of 50m.

This urban discontent has yet to be demonstrated in political terms, however, and Filipinos have a reputation for being easy-going. On the other hand, few people are prepared to discount the pervasive influence of the Catholic church, which speaks out regularly against injustice and which even President Marcos has great difficulty in countering.



Mrs Aquino's mother and her daughter mourn the death of the Opposition leader.

The current austerity plan embarked upon by the Marcos government complicates matters further. This has entailed tax increases, reductions in subsidies, cuts in Government spending, deferral of major capital projects, restraints on foreign borrowing and a devaluation of the peso.

The consequences of this strategy, which is designed to combat a huge balance of payments deficit, have even irritated many close to President Marcos. At one point, the position of the Prime Minister and economic overlord, Mr Cesar Virata, was at risk and it was only at the end of May, after six weeks of speculation, that Mr Virata would stay in place. Foreign bankers, who see him as the figure keeping the Philippines' strategy on course, were relieved.

President Marcos, on the other hand, is not without support. His health, notwithstanding, seems to remain firmly at the helm, with the crucial support of the army. But for a country with such a well-entrenched ruler, a need to be conscious of its image abroad, the assassination of Sen Aquino has come as a serious embarrassment.

## Washington waits for inquiry in killing

THE FUTURE OF U.S.-Filipino relations following the death of Mr Aquino depends on whether the Marcos Government pursues its investigation into the assassination in a "rapid, objective and credible" way, according to the words of one official. William Dale writes from Washington.

President Ronald Reagan seems to have left open the possibility that he might cancel his planned stopover in Manila during his visit to Asia in November. But the official line is that there would have to be a very serious reason to do so.

Politically, Washington is aware of the importance that Mr Marcos, who it regards as a loyal ally, is attaching to the visit. On the security front, there is not as yet thought to be any reason for Mr Reagan to avoid Manila, and the President himself says that he is not worried about going.

Reagan Administration and the Marcos Government have been warm, and the two leaders are said to get on well together personally. Mr Marcos was enthusiastically welcomed in Washington during a state visit last September - his first to the U.S. in 16 years - and the Administration continues to regard the Philippines as of major strategic importance.

The two U.S. bases at Clark Field and Subic Bay - once vital to American military operations in Vietnam - are seen as a key link in the communication and supply lines between U.S. naval forces in the Indian Ocean and the U.S. mainland and Hawaii. They have also become crucial in monitoring Soviet naval forces travelling between Vladivostok, Vietnam and the Indian Ocean.

Under a new agreement signed on June 1, the Administration undertook to ask Con-

gress for economic and military aid to the Philippines worth \$900m over the five years from fiscal 1985, starting on October 1 next year, up from \$500m over the current five-year period.

The importance of the bases, and the Philippines' historical links with the U.S. as a former colony, have ensured continuing close relations, which Washington believes are bound to persist even after Mr Marcos goes.

Nevertheless, the Administration will be watching closely to see how Mr Marcos handles the assassination aftermath, and Congress, which must grant the aid under the bases agreement, will be especially alert. If the Government is found to be in any way involved in the assassination, there is bound to be a major outcry in Washington, regardless of the strategic importance of the Philippines.

## Morocco may be forced to reschedule debt payments

BY OUR FOREIGN STAFF

MOROCCO, with a foreign debt of \$10bn (£2,671m) may soon be forced to follow Sudan by becoming the second Arab country to reschedule debt repayments.

Despite denials by Moroccan officials, bankers cite the country's current account deficit - \$1.8bn by the end of 1982 and now standing at \$2bn - together with a dramatic fall in reserves as evidence of the impending decision.

It is possible, however, that King Hassan may move to staunch the financial hemorrhage of the war in the Western Sahara by greater flexibility in negotiations rather

than reschedule Morocco's debts. The burden of the war has become all the greater since the decline in aid from the Gulf following the fall in Arab oil revenues.

Morocco has so far managed to maintain repayment schedules, covering interest payments alone of \$850m in 1982, through bank loans and invoice earnings of \$1bn remitted by Moroccan working abroad and by earnings from tourism which rose 16 per cent in 1982. The monthly fluctuations of the reserves position, which has so alarmed banking circles with gold reserves fall-

ing to \$75m in May, must be set against the general pattern of reserves during 1982. Morocco's reserve position fluctuated from \$230m in January, 1982, to \$97m in September, recovering to \$218m by the end of the year and plunging again to \$20m in February of this year.

Morocco has covered this weakness with short and medium-term loans from the World Bank and commercial banks in Europe and the Middle East together with aid from Gulf states and the Arab Development Fund. Recently, the Government arranged a

steadily loan from the IMF, at 100 per cent of Morocco's quota - \$236m - through the signature of a letter of intent that is to be formally approved by the IMF next month.

In addition to these measures, the Government, with a determination that is reminiscent of 1981 when a similar crisis erupted, and with IMF support, has pushed an emergency amendment to the 1983 Finance Law through the Moroccan Parliament. In one of its last acts before the anticipated October elections, parliament approved in July an amendment which is to reduce sub-

sidies on essential foodstuffs by 20 per cent, cut public expenditure by 12 per cent, eliminate 19,000 posts from the country's swollen civil service, and increase taxes on high-income groups and tax remittances from abroad.

In order to defuse popular anger which could well reach the level of the June, 1981, Casablanca food riots, the national minimum wage in agriculture and industry was raised by 20 per cent. The measures came into effect on August 1, causing price rises for basic foodstuffs of between 6 and 67 per cent.

## Sri Lanka curfew shortened

THE Sri Lankan Government said that a night curfew imposed on 12 of the 24 districts in the island to curb ethnic violence would be reduced to five hours from today. Reuters reports from Colombo.

A nine-hour curfew has been operating in most of the districts, including Colombo, for several days following last month's rioting in which more than 385 people died and hundreds of homes, shops and factories belonging to minority Tamils were damaged or destroyed.

Officials said the curfew had enabled troops to be moved to the hill town of Kandy, where anti-Government forces had threatened to bomb the local pagoda.

## Ex Minister denies charges in Burma

BO NI, former Burmese Home Minister, has pleaded not guilty to a charge of misappropriation of public funds. The court ruled yesterday that prosecution has succeeded in establishing a prima facie case against him, showing he had misappropriated U.S.\$1,500 out of \$35,000 drawn by him from the Government for his official trip to London last January to study census-taking

## India to buy 25 Dorniers

By D. P. Kumar in New Delhi

INDIA will shortly sign an agreement with West German manufacturers of the Dornier 228 for the purchase, initially, of 15 aircraft. Financial details of the proposed deal were not disclosed.

Some of the 15-seater Dorniers, costing roughly \$105,000 apiece, will be used by the domestic feeder airline, Vayudoot, and the rest by the Indian air force and navy.

The short-hand Dornier has been chosen after years of dithering and intense lobbying by several aircraft manufacturers.

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## Brazil set to win IMF approval for refinancing plans

BY ANDREW WHITLEY, IN RIO DE JANEIRO

BRAZIL yesterday appeared to have overcome a major hurdle in the way of its new debt refinancing programme. M. Jacques de Larosiere, managing director of the International Monetary Fund, was reported to have approved the outline technical agreement reached between Brazil and the Fund two weeks ago.

Sr. Erasmo Gomes, the Finance Minister, said late on Monday that M. de Larosiere had endorsed the revised Brazilian economic adjustment programme in Paris last week-end during meetings with Sr. Antonio Delfino Netto, the Planning Minister.

Final details of some of the domestic and external targets Brazil had been set for 1984, however, remain to be settled. To wrap up the IMF accord, two top Brazilian officials, from the central bank and the Planning Ministry, were due to leave Brasilia for Washington last night.

After months of periodically intense negotiations and several false dawns, the talks last weekend in Paris appear to have paved the way for an agreement between Brazil and the Fund.

The Brazilian authorities are now switching their attention to their international bank creditors.

Sr. Carlos Langoni, the central bank governor, is expected to attend important meetings of the advisory group of leading creditor banks in New York today and tomorrow. The group will study the figures gathered by its economic sub-

committee in Brazil in recent weeks.

Over the next two days, the advisory group, chaired by Citibank, the Brazilian central bank, and the banks' economists are likely to be discussing Brazil's cash needs for the rest of this year and laying the groundwork for the launch of next year's "jumbo" loan.

Reports from Brasilia indicate Brazil is anticipating a current account deficit of between \$6bn and \$6.5bn next year. Most of the deficit will have to be financed by the international money market.

To meet this year's shortfall of \$3.6bn to \$3.7bn—and rebuild the central bank's reserves by an IMF-required \$500m—some time within the next week—before the August 21 deadline for the repayment by Brazil of some \$400m due to the Bank for International Settlements.

The Paris Club of Western creditor nations will meet in mid-September to discuss Brazil's request for a renegotiation of its debt to other governments and to the Paris Club.

AP/DJ reports from Washington. It was earlier reported that the session would not be held until after September.

## Mexico poised to sign rescheduling accords

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO is poised to sign a first batch of rescheduling agreements on its \$6bn (US\$6bn) foreign debt exactly a year after it was first declared insolvent.

Due for completion this Friday in New York are agreements deterring repayment of some \$10bn in debt, owed by the Mexican Government, its state oil monopoly Pemex and development bank Nafinsa.

The signing will be followed by agreements covering other states agencies, bringing the total rescheduling to some \$19.7bn.

It will mark an end to a year of difficult negotiations, during which a temporary moratorium on debt repayments to bank creditors had had to be extended several times.

The rescheduled debt is to be repaid in eight years and will bear interest at a margin of 15 per cent over Eurodollar rates or 11 per cent over U.S. prime rate.

Meanwhile, Mexico has made further progress on the long road to financial recovery with payment this month of another 10 per cent of private sector interest arrears incurred in the immediate aftermath of last year's crisis. It has now paid some 35 per cent of the total \$650m in arrears.

The strong improvement in Mexico's current account balance of payments—which was in surplus of \$2.5bn during the first half of this year—means it is now expected to continue making instalment payments on these arrears.

Previously, Mexico was expected to ask bankers to renege unpaid arrears after this September in the form of a "roll-over loan," amounting to as much as \$500m.

Such a loan, which would not have constituted new money, will now prove unnecessary, bankers believe.

## A re-election bid may be a mixed blessing, writes Anatole Kaletsky

# Reagan: the risks of a second term

PRESIDENT Ronald Reagan will soon be taking the most important decision of his Presidency, one that will send powerful shock waves through the world's financial markets. Between early September, when he returns to Washington from his holiday in California and mid-November, when he takes off on a major Asian trip, Mr Reagan will announce whether or not he is going to run for a second term in next year's election.

When he does this, the U.S. could abruptly lose its status of a political "safe haven" which has been used, for the past two years, to explain the prodigious strength of the dollar after all other arguments have failed.

As the moment approaches for Mr Reagan to fire the starting pistol for the election campaign with his announcement, the markets may have to re-examine the three assumptions on which the present complacency about the U.S. political future rests—that President Reagan will stand for re-election, that he will win a second term without much difficulty, and that a second Reagan Presidency would be less prone to monetary and fiscal crises than the first.

Firstly, it is not yet a fore-

gone conclusion that Mr Reagan will run. At 72, he is beginning to feel his age and, what is worse, to show it. His hearing lapses are becoming more frequent, his attention span is getting over shorter and his rambling reminiscences and anecdotes more disconcerting. None of this augurs well for a two-term Presidency stretching nearly to his 78th birthday.

One theory maintains that Mrs Nancy Reagan is determined not to let her husband exhaust himself or visibly decline in office. Now that the economic recovery is clearly under way, that America is "rebuilding its defences" and that inroads have been made into "big Government," the "Reagan revolution" has unmistakably been started.

His wife could therefore persuade him to retire with honour, if not glory. As former actors, both Mr and Mrs Reagan realise, it is said, that it is best to leave the stage while the crowd is still applauding. If Mr Reagan were to decide not to run, there would be a deluge for the Republican Party nomination. Many of Mr Reagan's own Right-wing supporters would probably refuse to back a Centrist candidate such as Vice-President George Bush or Senators Robert



Reagan: beginning to feel his age

Dole or Howard Baker. On past form, a vicious battle between a candidate of the Right, like Representative Jack Kemp and the Centrists could easily split the party almost beyond reconciliation for the final fight against the Democrats.

The Democrats would also represent Mr Reagan's withdrawal as an admission of his party's failure. The Republican side, meanwhile, would have lost its greatest asset—Mr Reagan's attractive personality and the reservoir of awe which an incumbent President automatically commands.

But if Mr Reagan does decide to stand, will the pace of the current economic recovery then virtually guarantee his re-election? This appears to be the dominant market expectation in both the U.S. and overseas. But there are some clear indications already that the elections could be tougher on both the markets and on Mr Reagan than the simple equation between economic recovery and Reagan popularity might suggest.

Firstly, the economy is unlikely to be the only issue in the election. By November, 1984, it will probably be performing rather dismally, not spectacularly well. The current euphoria about the economy could easily give way

to indifference if conditions are still improving gently, or disillusionment, if the improvement appears to have stopped.

Thus the economy could be no more than a neutral factor for Mr Reagan in an election dominated by other issues, such as foreign policy, arms control and perceptions about the President's "fairness" between rich and poor. The Democrats are firmly convinced that the latter is their best issue. Mr Reagan scores badly on all three in the polls at present.

If Mr Reagan looks like overcoming these handicaps, the most obvious uncertainties of all could arise for investors. Ironically, from a resurgent President Reagan returning to the White House for a second term.

The markets still appear to believe firmly that there will be major action to reduce budget deficits from 1985 onwards. But Mr Reagan's instinctive opposition to all tax increases and his "indication" by the present economic recovery, coupled with his desire to brand Democrats as the party of high taxes, could produce an escalation of anti-tax rhetoric which will make it all but impossible for

Either way investors in the U.S. should prepare for a stormy election year.

## Reagan backs arms build-up

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan yesterday strongly defended his arms build-up and his efforts to "halt communism" in Central America, while renewing his onslaught on the "so-called peace movement."

In an address prepared for delivery to the American Legion's annual convention in Seattle, he compared the approach of the peace demonstrators to the appeasement policies of Mr Neville Chamberlain, Britain's pre-war Prime Minister, which, he said, had brought the onset of World War Two closer.

"Peace was an objective, not a policy," Mr Reagan said, and "those who fail to understand this do so at their peril."

Mr Reagan insisted, however, that he was not seeking an arms race with the Soviet Union and said, "I have not the intention of building the controversial MX intercontinental missile as a first-strike weapon."

"Our country has never started a war, and we have never sought, nor will we ever develop, a strategic first-strike capability," Mr Reagan said.

Turning to Central America, Mr Reagan said there was a "democratic revolution" going on in the world. "The tide of history is with the forces of freedom—and so are we," he said.

Mr Reagan spoke as major new naval manoeuvres got underway in the Western Atlantic and the Caribbean. These involve 22 U.S. ships, two from Britain and one from the Netherlands. The training exercise, known as "Redox-83," was strictly routine and quite separate from Mr Reagan's "Big Pine 2" land and sea manoeuvres in Honduras, the Pentagon insisted.

Washington officials admitted, however, that six of the U.S. ships, led by the nuclear-powered guided missile cruiser USS Mississippi, would join the U.S. aircraft carrier Coral Sea in its operations off the Caribbean coast of Central America.

Reuter adds from Tegucigalpa: The Honduran Government is pressing for a permanent U.S. naval base in the country after the current U.S. military manoeuvres end, diplomats said yesterday. A permanent base would cost up to \$200m.

## U.S. inflation rate drops

WASHINGTON—U.S. consumer prices, held in check by falling food costs, rose a moderate 0.4 per cent in July, according to Government figures.

For the first seven months of 1983, retail prices rose at an annual rate of just 3.2 per cent, compared with 3.9 per cent for the whole of last year. Prices over the last 12 months have risen only 2.4 per cent—the smallest gain in 17 years.

The figures, released on Monday, also showed that a 0.4 per cent increase in gasoline

## Pershing test flight plan

WASHINGTON—The U.S. army is prepared to conduct one of the final test flights of its new Pershing 2 ballistic missile in early September after X-ray checks to make sure its engines are clear of a problem that destroyed a test missile late in July.

Major Robert Pinacek, an army spokesman, said technicians had discovered that the failure which caused destruction of the Pershing in late July was due to "an anomaly with that missile alone."

Mr Caspar Weinberger, U.S. Defence Secretary, last week expressed confidence that the Pershing missile test programme would be completed in time to permit the first deployment of the weapons in West Germany starting in December.

The army claims 13 successes in 16 test flights of Pershing 2. Major Pinacek said he expects the 17th test, which has been delayed by about four weeks because of checks, will take place in early September, AP.



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On August 10, 1983, the United States Bankruptcy Court for the Southern District of New York entered an order appointing a committee to represent the holders of Saxon Industries, Inc. ("Saxon") 5% Convertible Subordinated Debentures due 1987 (the "1987 Debentures"). The members of the committee will be selected by the United States Trustee's office from among the names of holders of all the issues. If you would be willing to serve on the committee, please advise Citibank, N.A. (formerly First National City Bank), Trustee (the "Trustee") under the Indenture dated as of November 1, 1972, as supplemented, between Saxon and the Trustee, pursuant to which the 1987 Debentures were issued.

If you do not wish to serve on the committee and you have not previously corresponded with the Trustee, it is, nevertheless, strongly urged that you register your name, address and the principal amount of 1987 Debentures which you hold. This will ensure that you will be informed of and allowed to participate in a vote by the holders of Saxon Debentures on a plan of reorganization.

Any questions or communications relating to the above may be addressed to the Trustee as follows:

By Mail:  
Citibank, N.A.  
Corporate Trust Administration  
5 Hanover Square, 14th Floor  
New York, NY 10043  
Attention: E.J. Jaworski  
Assistant Vice President

By Telephone: (212) 825-6494

CITIBANK, N.A., as Trustee

August 23, 1983

## WORLD TRADE NEWS

## IATA members set winter tariffs for N. Atlantic routes

BY LYNTON McLAIR

A FARES war on the north Atlantic this winter has been avoided with the agreement yesterday by airlines flying the route to raise first class and economy fares by about 12 per cent and launch a cut-price mid-week £249 fare between London and New York. Stand-by fares on the routes are to be dropped for the winter.

The economy fare is to rise by 17 per cent to £199 single. First-class fares will go up by 3 per cent to £393 single and club-class fares will rise by 24 per cent to £449 single, all with effect from November 1, compared with fares last winter.

The member airlines of the International Air Transport Association avoided a split after Pan American agreed to attend a tariff co-ordinating meeting in Montreal earlier this month. Pan American had threatened not to attend the meeting if there was no prospect of harmony and a simplification of fares.

IATA members had until yesterday afternoon to telegraph any objections they had to the fare proposals. No airlines objected by the deadline and the fares are expected to be introduced on north Atlantic routes between Britain and the U.S., starting on September 15, subject to approval by the two governments.

The new £249 London-New York return fare is an advanced

purchase excursion fare. It has tighter restrictions than the £286 APEX fare of last winter and requires passengers to book 45 days ahead, instead of the usual 30 days.

British Airways, one of the airlines on the route, said last night that a normal APEX fare will still be available at £298.

The decision to drop stand-by fares on the North Atlantic this winter follows a decline in patronage for this type of cheap fare. Only 3 to 4 per cent of BA's fares this summer came from stand-by tickets, compared with 10 to 12 per cent two years ago.

A new fare to be introduced on September 15, if the governments give their approval, is the proposed special economy fare. This is expected to be cheaper than the standard economy fare, but will only be available to passengers who do not require to make inter-connections with other airlines. It will also only be available as a single, with the return fare at double the single rate.

The airlines last night were still working out their fare details before making comprehensive statements about the new fares. It is understood, however, that the first class and economy fares to come into effect from November 1 will be between 12 per cent and 14 per cent higher than last year.

## Saab-Scania contract for McDonnell Douglas parts

BY DAVID BROWN IN STOCKHOLM

SAAB-SCANIA, the Swedish car, truck and aerospace group, has announced its aerospace division will supply advanced aircraft components worth \$100m (£48.4m) to the McDonnell Douglas Corporation in the U.S.

The multi-year contract involves suppliers of a carbon fibre composite for use on the updated DC-9 super 80 commercial airliners, MD-83 and MD-88.

The deliveries are to commence in mid-1984 and will eventually reach "several hundred" suppliers in all, according to Mr Hans Andersson, a company official.

Each aircraft has six of the components, which are used to reduce airspeed and lift. Carbon fibre composites are 15 to 25 per cent lighter than traditional alloys and improve

operating economy. The California-based aircraft company has also purchased inner wing flaps for its DC-9 series under a continuing contract with Saab aerospace which was signed in 1977 and valued at about \$Kkr 200m at current exchange rates.

Saab Scania is developing a range of carbon fibre components in connection with a new Swedish multi-role combat aircraft, the JAS 39, one third of which will be built of composites. "This order is important because we can now start high volume production," said Mr Andersson.

The aerospace division reported four months' sales of \$Kkr 505m this year, compared with the \$Kkr 328m achieved during the same period in 1982. The increase was due to higher deliveries of military aircraft.

Michael Field analyses the background to a successful regional development policy

## Saudi Arabia nurtures its provinces

THE REMOTE and relatively undeveloped areas of Saudi Arabia which are always referred to in the Kingdom as "the provinces" seem to have been little affected by the fall in Government spending this summer.

In the first four months of the current financial year from April, spending dropped by 6 per cent compared with the previous year. The Government has given no breakdown of where the reduction in spending has been greatest, but major projects in the big cities seem to have been delayed, rather than smaller provincial developments.

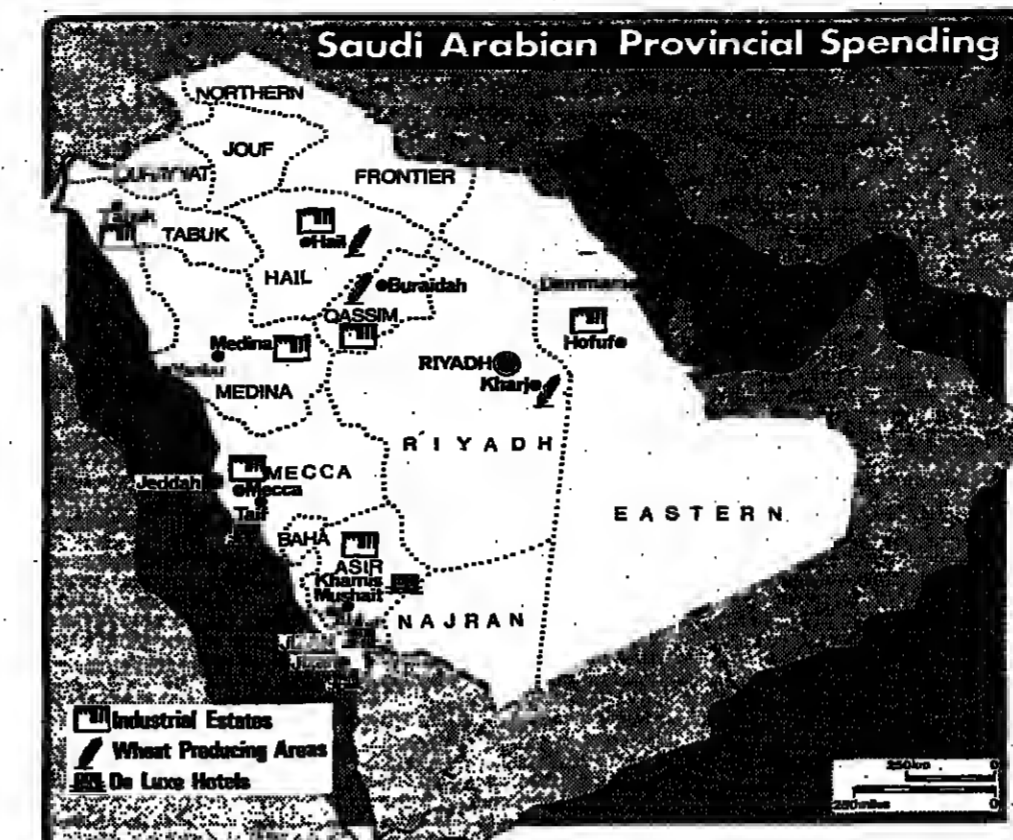
Part of the reason why the provinces are surviving the cuts relatively unscathed is political. The Government was greatly disturbed by the Mecca uprising in 1979, when a large group of religious fanatics, many of them recruited in rural areas, occupied the Grand Mosque.

The rebels were not inspired by economic grievances, but the Government realised that if the people in the provinces felt themselves to be neglected, they would be more likely to rally to any rabble-rousers who might appear in future.

Direct Government spending in the provinces since 1980, when the third Five Year Plan began, has gone to the construction of rural roads and schools and programmes to connect villages to the Kingdom's electricity grid and telephone system.

In the northern province of Hail, which in 1980 was given a new, dynamic governor, Prince Muqrin bin Abdel-Aziz al Saud, there are now 1,040 miles of agricultural roads under construction and a further 825 miles about to be started.

During the rest of this year, 17 villages in the province will be connected to the national



telephone system. Nearly 7,000 plots of land of an average 100 acres each are about to be given to farmers.

In the same province the Ministry of Rural Affairs has drawn up plans for 50 modern villages, incorporating clinics and tarmac feeder roads connecting them with the main highways.

In Hail, as in other provinces, the expenditure of the last three years has run well beyond what

was envisaged in the Third Plan.

The help which the Government has given to provincial development by stimulating private sector investment in industry and agriculture has been as important as its own direct spending on infrastructure.

It has under construction, or at various stages of planning, industrial estates near Buraidah in Qassim and near Khamis Mushait in Asir, as well as at Hofuf, Mecca, Medina, Hail and

Tabuk. In Qassim there are already 25 factories built, but elsewhere the establishment of new plants has been affected by the downturn in private sector investment in the Kingdom as a whole.

Much more spectacular has been private sector investment in agriculture. This has happened on such a scale that the Kingdom, with a population of some 8m, is expected to become self-sufficient in wheat in 1984 or 1985. Agricultural in-

vestors have been encouraged by a huge range of government subsidies, interest-free loans and support prices.

The profits made from agriculture and work on Government projects are being ploughed into real estate developments and more modern trading businesses. In one provincial town, Khamis Mushait in Asir, there is now a hotel of the same standard as the best in Riyadh and Jeddah.

The provincial boom has prompted the Committee for Middle East Trade (Comet), the British Government's export promotion agency for the region, to publish a special report on the country.

The report covers the building of military bases, which have already been responsible for much of the development in Tabuk and Khamis Mushait, agriculture, water resources, industrial estates, banking in the provinces and the system of provincial government.

There are other chapters on the pros and cons of exporters and contractors appointing their own agents in the provinces and on the leading merchants in each provincial centre. The last of these lists some 100 trading houses, with comments on their activities.

The type of development under way in the Saudi provinces is particularly suited to British companies, Comet says. The British have not been successful in winning the type of mega-contract associated with Riyadh and Jeddah or the industrial cities of Jubail and Yanbu, but they are regarded as being quite competitive on smaller-scale contracts.

\*Regional Development in Saudi Arabia, 60 pages, £10.00 (£11.50 post paid to Saudi Arabia) from Comet, 33 Bury Street, London SW1Y 6AX.

## Joint polyimide venture for Rhone-Poulenc and Mitsui

BY DAVID MARSH IN PARIS

RHONE-POULENC, the French nationalised chemicals group, has signed an agreement with Mitsui Petrochemical Company of Tokyo covering joint manufacture and marketing in Japan of specialised polyimide resins.

The two groups are to set up a jointly-owned 50-50 concern, called Nippon Polyimide Company, to handle Japanese activities in the resins, used particularly in electrical equipment, the cars and aerospace industries and other forms of precision engineering.

The collaboration is the latest in a series of Japanese joint ventures agreed over the last

few years by Rhone-Poulenc, also covering agrochemical, pharmaceutical, film and silicone products.

The company's stake in the joint venture will be held by its speciality subsidiary Rhone-Poulenc Specialties Chimiques. The French group has already co-operated for several years with Mitsui Petrochemical in developing polyimide resins, sold under the brand names of Kermid and Kinel. Rhone-Poulenc, the sole world maker of polyimide resins, has signed a licence agreement to transfer the necessary technology to the new joint subsidiary.

## Tanzania signs barter deal with E. Germany

BY DAVID MARSH IN PARIS

DAR ES SALAAM—East Germany has agreed to supply 10,000 bicycles and other manufactured goods in exchange for Tanzanian coffee, cotton, tea and tobacco in a barter agreement signed this week, according to Radio Tanzania, AP reports.

The pact, which takes immediate effect, followed five days of talks between trade representatives of the two countries, it said. East Germany has also agreed to send medical equipment, textile dyes, livestock, drugs and soap in return for Tanzanian agricultural products.

## Pakistan set to continue conventional trade

BY DAVID MARSH IN KARACHI

KARACHI—Pakistan will not follow other third world countries in demanding its industrialised trading partners conduct commerce with it on a barter basis, Federal Commerce Secretary Iqbal Haq said.

Barter would be difficult to integrate into the country's import policy, since most purchases were made by the private sector and it would go against some international trading rules, he told a trade seminar.

Barter, which eliminates the need for money and assures importing countries a market for their exports, has gained favour among developing countries as bank loans have been drying up.

Indonesia has led the way, insisting on barter for deals with all foreign suppliers. Haq told the seminar Pakistan planned to continue its policy of selective tariffs on imports to help domestic industries develop. But it would not resort to total bans on foreign products, he added.

He said Pakistan still faced a perennial deficit in its foreign trade, despite an upsurge in exports since 1979. He blamed this on high prices for imported oil and a slump in the value of commodities such as rice, which Pakistan can export.

## Singapore bus deal

BY DAVID MARSH IN SINGAPORE

COACHBUILDERS—Walter Alexander of Falkirk in Scotland have won a £6m North to supply 400 double-decker bus body kits for 88-deckers bus service, Mark Meredith reports from Edinburgh.

The kits are to be assembled in Singapore for 200 Leyland chassis and 200 Mercedes Benz underframes.

## ENERGY REVIEW

## U.S. offshore lease programme faces stiff fight

TODAY'S AUCTION of offshore oil leases in the western Gulf of Mexico looks like being another bonanza for the U.S. Department of the Interior. While the sums raised are not expected to match the \$3.4bn raised in another Gulf sale in May, the big oil companies are lining up to bid for acreage in one of the biggest offshore lease sales in U.S. history.

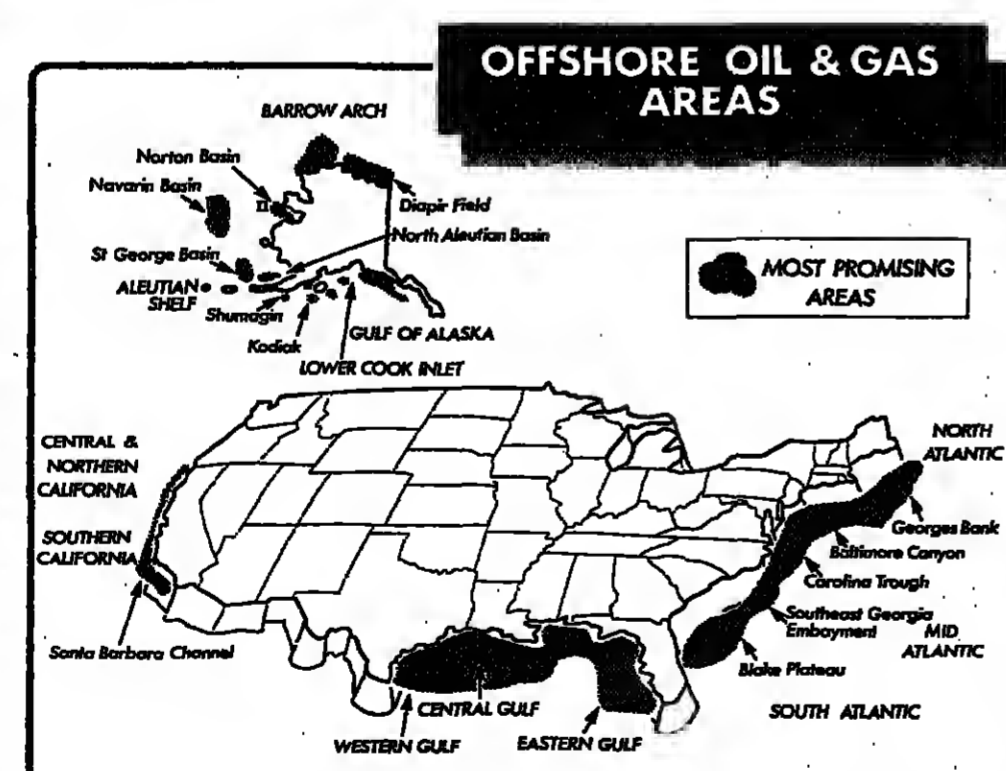
Their enthusiasm for extra acreage at a time when there is considerable excess production capacity, particularly for natural gas, seems strange at first sight. However, the oil companies interest is fuelled partly by their need to increase their long-term reserve levels and perhaps more important by a fear that they may never get another chance to win so much acreage at one go. 11 Congress has its way the current sale might be the last for some time.

The oil companies' fears are not without foundation. For decades the U.S. Federal Government, which owns all the offshore acreage from three miles seawards and beyond (the states own the acreage close to shore), has released tiny parcels of acreage on the Outer Continental Shelf (OCS) for exploration purposes. In the 28 years to 1982 21m acres or just 2 per cent of the OCS had been leased.

One of the first acts of the new Reagan Administration was to speed up the process of leasing offshore acreage and Mr James Watt, the Secretary of the Interior drew up an ambitious five-year plan which involves some 1bn acres being considered for leasing, equivalent to the entire OCS.

The new leasing programme unveiled just over a year ago marks a fundamental change in U.S. attitudes to its offshore oil resources, which has attracted fierce criticism. Much of it stems from environmental fears about the damage which widespread U.S. development of the OCS could cause.

Mr Watt, one of the most controversial figures in the U.S. Administration, has been subjected to a barrage of court actions, some of which have been successful in delaying lease sales. However, his biggest challenge is coming



from Congress which is considering several Bills which could jeopardise the entire five-year OCS leasing programme. The main threat is concentrated in the Democrat-controlled House of Representatives which has passed a Bill covering next year's budget for the Department of the Interior which, in effect, refuses money for the conduct of future lease sales. This will result in a moratorium of at least a year on auctions if it is passed.

The House of Representatives had indicated that it believes the moratorium should be for longer periods and will consider this when it reviews the following year's budget for the Department of the Interior. The Bill still has to be approved by the Republican-controlled Senate and it is understood that there is widespread sympathy for the moratorium for offshore leasing activity amongst senators from Massachusetts and California in particular.

While one of the Administration's aims in accelerating its offshore leasing programme sharply was to boost its revenues, the main purpose of the five-year programme was to reverse the steady decline in U.S. offshore oil production. The U.S. geological survey has estimated that offshore drilling could provide as much as 56 per cent of America's future domestic crude oil and 36 per cent of its future natural gas.

Consequently the controversy surrounding the OCS lease sales has polarised between the strong environmental lobbies which oppose offshore drilling per se and the oil company and Administration camps which believe that an increase in leasing activity is essential

for the future security of America's long-term energy needs. Most U.S. people believe that the U.S. Government's decision to move over to an area wide or "open-leasing" plan is the single most important factor behind the upsurge in interest in the Gulf of Mexico. Previously the Government had selected sale tracts from among those nominated by the oil industry. Typical bidding would be limited to 75 to 175 tracts selected by the U.S. Department of the Interior.

The area wide leasing procedure, first introduced in the mid-Atlantic offering last April puts the onus on the oil companies to choose the area which they want to bid for. This makes it more difficult for the industry to isolate potential prospects but oil companies prefer the flexibility.

The new leasing programme marks a fundamental change in U.S. attitudes to its offshore energy resources and has run into strong criticism. William Hall in New York explains why

The change in leasing tactics reflects Mr Watt's free enterprise philosophy and his belief that the oil industry rather than government specialists in Washington should decide which tracts they would like to bid for. The Department of the Interior still reserves the right to refuse bids and is anxious to stress its environmental record (a total of only 781 barrels of oil have been lost due to loss of control at the well head out of over 4bn offshore barrels produced over the past decade).

Nevertheless, Mr Watt is determined that offshore oil and gas should provide a growing part of the country's resources and one of his missions at the Interior Department has been to overhaul the U.S. offshore lease programme which he has described as "convoluted, duplicative and in disarray."

When he took over the Interior Department he was determined to find that the U.S. was the only country whose offshore oil production was declining and it had fallen by a third in the previous decade. In addition, he found that in 28 years only 2 per cent of the Outer Continental Shelf had been leased. Previous policies called for the government to continue leasing at only one tenth of

## CRUDE OIL AND NATURAL GAS

Estimated U.S. offshore resources to the 2500-metre water depth

Areas	Crude oil (barrels)	Natural gas (cu ft)	Identified	Undiscovered	Identified	Undiscovered
Alaska	0.3	12.2	3.2	64.6		
Atlantic Coast	0.0	5.4	0.0	23.7		
Gulf of Mexico	2.7	6.3	73.9	71.3		
Pacific Coast	1.7	20.8	2.3	0.5		
Entire offshore	4.7	27.9	79.4	167.6		
Entire U.S. (Onshore plus offshore)	54.8	82.6	369.0	592.8		

Source: U.S. Department of the Interior, geological survey, circular 880.

1 per cent a year even though estimates suggest that two thirds of all the oil and gas yet to be discovered in the U.S. is expected to be offshore.

Mr Watt's plan to accelerate sharply the development of U.S. oil and gas resources from the Outer Continental Shelf, which takes in all Federal-owned waters from three miles offshore, was finally announced last July after close to two years of debate, much of it controversial.

The plan is that there will be 12 lease sales in the Gulf of Mexico, 16 in offshore Alaska, 4 off California, 8 off the Atlantic coast and one re-offering sale. The timetable called for five sales in 1983, seven in 1984, eight in 1985, nine in 1986, eight in 1987, and four in the first half of 1988.

The sales off Alaska are of particular interest because of the fact that they involve areas believed to be of high potential which have not been explored. The Alaska Outer Continental Shelf contains 38 per cent of the estimated undiscovered oil and gas resources and Alaska contains over half the total offshore acreage of the Outer Continental Shelf programme.

However, opposition has continued to the proposals with the result that half of the proposed sales so far have been delayed in the first year.

The amount of money the U.S. Administration hoped to raise from the lease sales was overly ambitious initially but officials at the Department of

the Interior believe that despite the attacks on the programme which continue to proceed through the courts, the new policy is beginning to show results in terms of its basic objective of stimulating exploration in U.S. offshore waters.

Mr Watt notes that offshore exploratory drilling has doubled over the past year and projected oil resources for the entire OCS are equivalent to 20 years of imports at 1981 rates. Projected natural gas resources are estimated to be sufficient to heat 23m homes for 50 years.

It is still too early to judge the success of the U.S. Administration's ambitious offshore leasing programme. Some of the areas which have been up for lease have fared badly, attracting little attention from the oil industry. Meanwhile there is a widespread view, not all of it external to the oil industry, that too much acreage is being put up for lease. This is wasteful since it means that resources are squandered in trying to pick the right area but so far this fear has proved relatively groundless.

Mr Watt notes with pride the future he created when he recommended that tracts off California be offered for sale. Less than 18 months after the leases were issued a giant oil field had been discovered which may be the biggest since Prudhoe Bay. "I'd say a billion barrels was worth the hassle," Mr Watt is fond of telling his

## FIVE-YEAR LEASE SALE PROGRAMME

Federal offshore oil and gas plan for August 1982-June 1987

Planning area	Number of leases	Acres m/a
ATLANTIC	8	238
North	3	37
Central	2	37
South	3	39
GULF MEXICO	12	139
Eastern	2	58
Central	5	46
Western	4	35
Others*	1	—
PACIFIC	4	59
Off California	2	22
N California	2	37
ALASKA	16	557
Barrow Arch	2	30
Cook Inlet	1	141
Diapir Field	3	49
Kodiak	1	39
Navarin	1	89
N Alnetan Basin	1	32
Norton Basin	2	25
St George Basin	2	70
Shumagin	1	84
Reserves†	1	—
Totals	41	993

Source: U.S. Department of the Interior.

\* Sale 69 (Gulf of Mexico) is scattered among three planning areas and its acreage is included in those areas. † Resale 2 includes the re-offering of certain tracts in the Lower Cook Inlet/Shell Creek, Central and Northern California Southern and mid-Atlantic areas covering 3.2m acres.

critics who argue that he is doing too much too quickly. Mr Watt is a more flamboyant figure than many of his predecessors and his career has attracted an unusual amount of controversy. His efforts to speed exploration of offshore waters have galvanised opposition from environmental lobbies in particular and there are those in the oil industry who wish he would advance his cause rather more quietly and slowly.



## FINANCIAL TIMES

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## Arms control: a serious gap

THE SOVIET UNION has submitted a draft treaty to the United Nations which would ban the testing and deployment of weapons in space, the key remaining area which is not the subject of arms control negotiations between the super-powers.

The treaty, apparently an amplification of proposals made by Mr Yuri Andropov, the Soviet leader, to U.S. senators in Moscow last week, seems to be de-railing. Full details have yet to be released, but Moscow says it would forbid the testing or deployment in space of weapons systems "designed to hit targets on earth, in the atmosphere or in outer space."

It would not only prevent nations from testing and developing weapons designed to "kill" satellites but would have them agree to eliminate such systems as are already in their possession.

Initial U.S. reactions to the proposed new treaty have been cool. The State Department has noted that "in part" the new draft is similar to an old Moscow draft, also submitted to the UN two years ago. It suffers, said a spokesman this week, from the same defects of lack of clarity in the definition of weapons systems, and lack of provision for proper verification. But any "serious proposal" from the Soviets would be studied, the spokesman said.

Should the new Soviet move be treated seriously? Or is it simply another Soviet propaganda play to wrong-foot the Reagan Administration with U.S. and European public opinion? There is certainly a strong element of propaganda—Mr Andropov launched his proposal, after all, on a delegation of Democratic senators.

Yet Washington's response so far has been unconvincing. There are good reasons for extending arms control agreements to space. For existing international agreements on space are defective in key respects. In particular, the 1967 Outer Space Treaty prohibits the stationing of nuclear weapons and "other weapons of mass destruction" in the earth's orbit, on the moon and other celestial bodies, or in

outer space. But it does not cover the non-nuclear anti-satellite and other types of weapon now being developed. After many years of relative stability, the race between the super-powers to make military use of space is now on. Immediately it centres on anti-satellite weapons. Behind the rhetoric, U.S. caution on the new Soviet proposals probably stems from at least a technical lead which Administration officials say the USSR has in this field.

Both super-powers are making increasing use of space to support military activities. U.S. military forces, for example, rely on more than 40 satellites for their long-range communications, for a variety of intelligence activities—including the monitoring of existing arms control agreements—as well as for navigation, weather forecasts and mapping. The U.S. space budget is currently some \$1.5bn a year but is planned to rise by 10 per cent a year in real terms over the next five years, compared to a 7 per cent rise in the defence budget as a whole. The Soviet space budget is said to be \$1.8bn annually. The military-industrial complexes in both super-powers are doubtless happy to see this expenditure develop.

### Difficulties

It is probably too much to hope that the U.S. will agree to open talks to plug the gaps in existing space treaties before they have tested its new anti-satellite weapon. It would also be idle to suggest that such talks would not confront formidable difficulties—though other negotiations, such as nuclear testing, have shown that difficulties can be overcome.

Even though many people believe that it is already too late to achieve a comprehensive agreement to ban weapons in space, the Reagan Administration should complete its arms control programme by opening negotiations to that end. Real limits must be applied to the new dimension of the technologically driven arms race before it runs out of political and financial control.

## The pricing of British gas

ARE THE British Gas Corporation's profits too high or not high enough? Is gas over-priced or under-priced? It is difficult to answer these questions since the criteria which determine the BGC's profit targets and its approach to pricing are, to say the least, imprecise. This is partly because of ad hoc government intervention. Prices have been held down to support counter-inflation policy, then rapidly increased to generate revenue for the Government; more recently industrial and commercial prices have been frozen in response to lobbying from the private sector. It is hardly surprising that British Gas lacks a coherent pricing or marketing policy.

The problem goes deeper than political interference. Deloitte, Haskins and Sells, the consultants whose study on BGC efficiency was published yesterday, argue that prices in each market sector which British Gas serves should approximate to the estimated, long-run marginal cost of supplying that sector. Other factors need also to be taken into account, including the state of the market, the pricing policies of other energy suppliers and the statutory obligations of British Gas.

### Too low

On a marginal cost basis, the consultants show, current prices are too low, especially in the domestic and non-domestic tariff sectors. If gas were priced to cover these estimates of marginal costs including a 5 per cent return on capital, it would still at present cost less than competing UK fuels. If all gas had been priced on this basis, and if 1982-83 volumes had been maintained, over \$500m of additional revenue would have been generated in the year.

Getting the pricing policy right is no small matter. It has a crucial effect on the growth of demand, on the rate of depletion of UK gas reserves and on the size of the BGC's investment programme which, as the consultants point out, represents a massive use of the nation's resources—\$5.2bn in fixed assets and \$1.5bn for replacement expenditure during the period from 1982-83 to 1986-87.

Although the consultants identify opportunities for cost reduction, it is clear that if their recommendations are adopted prices will rise in real terms. BGC's current profits are based on cheap gas stemming from the early supply contracts, but over the next few years

BGC will have to rely increasingly on more distant and more expensive fields.

Above all—and this is where the report has an important message for nationalised industry as a whole—government and BGC must work out an agreed approach to pricing decisions. There is an ambiguity over whether the BGC's objective is to maximise profits, or, as it told the consultants, "to supply their customers at minimum cost consistent with the provision of an adequate level of service and with the financial requirements of the business."

The consultants believe that "without the pressure to maximise profits it is very difficult to create a management environment that encourages the sustained search for efficiency. BGC has responded to this difficulty by concentrating on cost measurement and comparison." Their recommendation is that BGC should be required to maximise profits, "within the framework of constraints on prices and standards of service that are designed to ensure that its monopoly position is not abused." They do not elaborate on what the "framework of constraints" might be—this remains one of the most difficult policy issues—but they are certainly right to call for greater clarity and explicitness in pricing policy.

The uncertainty about profit objectives has been one ingredient in the poor relations which have existed between BGC and the Department of Energy, although personal factors have also played a part. The consultants say that there is no generally held concept of the proper role of the Department and BGC, but this introduces uncertainties on both sides as to the proper conduct of the relationship. There are many consultations between the Department and BGC, but they are less effective on key strategic issues such as pricing and profitability.

These strategic issues have to be tackled. Privatisation and competition do not add up to a policy for nationalised industries. The effects of the 1982 legislation on BGC's monopoly powers will not be felt for some time, while privatisation will not in itself provide answers to the questions raised in this report. Too often in the past British Gas has appeared to be either an instrument of government policy or a self-regulating monopoly, immune to external pressure. The task is to devise a financial and regulatory framework which encourages it to behave like a commercial enterprise.

EVEN THE directors have not been exempt from the axe as cycle makers TI Raleigh over the recent troubled years. The latest chop, announced yesterday, will cut the number employed in the UK to only 3,500—little more than a third of the workforce that in 1978 turned out some 2m cycles, many of them for sale in former colonies and far-flung places.

Until two years ago the company was still riding high, proud of its position as by far the largest maker of cycles in Europe. But the onset of the recession found it producing over-priced machines and out of step with a fast-changing market. The story of how the company has been fighting its way back to health provides a lesson for much of Britain's manufacturing industry.

The managing director, Mr Roly Jarvis, a relaxed accountant with a passionate belief in the Ford style of management, argues that the "culture shock" since he took over two years ago has been worthwhile. "We are on our way back. The headcount might be down more than 60 per cent, but output is down only 30 per cent," he says. "That is the right proportion. Now we must claw back volume and establish ourselves as the dominant cycle manufacturer in Europe."

There had to be a "blood-letting" at Raleigh, he explains. "There were as many as 25 or 26 directors floating about the place. Now we are down to eight, of which I am by far the oldest at 50. That typifies the way we have gone through the business to carve out the overheads."

To illustrate the changed management style in one of Britain's traditional companies, he points out that the directors' panelled dining room at the Nottingham headquarters has been closed.

He adds with relish: "We sold the antique table to buy a robot. We thought that would be of more use to the company."

Mr Jarvis and Raleigh have been on trial for the past two years. A group board that must have questioned whether a cycle operation established in the early years of this century was really the place for the TI of the 1980s.

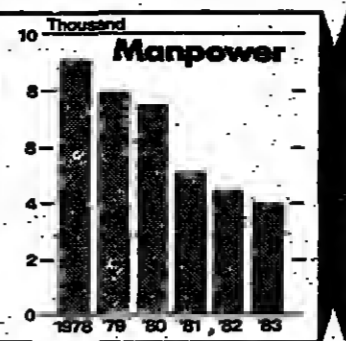
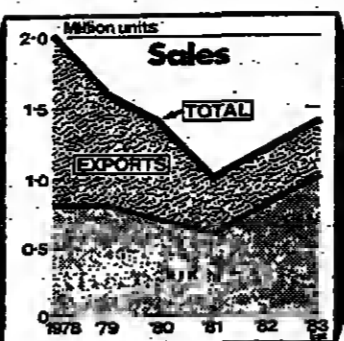
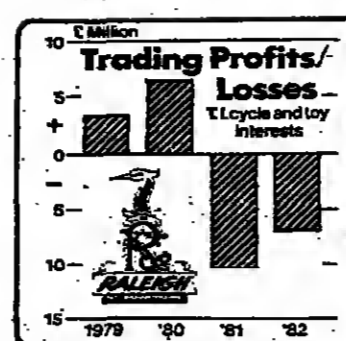
TI's cycle and toy interests made a trading loss of \$10.5m in 1981, and \$7m in 1982. Now they are likely to break even this year and move into profit next.

Backing for phase one of the Raleigh recovery programme came in the £5m committed for investment this year. Even more significant was the group decision this month to authorise "with enthusiasm" another £6m for next year for cycle assembly activities plus several millions for the Sturmer-Archer components business.

Mr Jarvis argues that the upheavals at Raleigh offer important lessons for the UK engineering industry, where he believes insufficient attention has been paid to sales and marketing. He is scathing about the previous "constipated" decision-making within his own company, and its failure to introduce new products.

Raleigh was one of the first casualties of the recession. As a leading exporter selling nearly two-thirds of its output overseas it was hit by the appreciation of sterling, and high interest rates also took their toll in a seasonal business with long supply lines.

Imports, which had been



Roly Jarvis, Managing Director

## Robots and psychologists on the hard road back

By Arthur Smith, Midlands Correspondent



On the production line at Raleigh's Nottingham factory.

Trevor Humphries

creeping upwards for several years, shot up to take more than 30 per cent of the market, helped by the currency advantage and the protracted engineering strike which curtailed domestic supplies. Problems reached crisis point in the late summer of 1981 as retailers relentlessly continued to cut prices in a bid to clear stocks from a market that was heavily over-supplied.

In August 1981 Mr Jarvis took control of the cycles operations. He had joined Raleigh as finance director in 1976 after holding senior positions with Ford, Chrysler and Crane Fruehauf. "My first love is the vehicles industry," he said. "Manufacturing cycles requires all the disciplines that apply to cars—the only difference at Raleigh was that the disciplines were non-existent."

The first decision was to re-cast the whole sales strategy, giving top priority to the UK and Europe. "For too long our home market was taken for granted. We had to get products and costs right here to establish a sound base for overseas sales."

Raleigh's vulnerability in third world markets to political and economic uncertainty has been underlined by the troubles in Iran and Nigeria. Talks are currently underway to produce bikes under licence for Iran, but Mr Jarvis makes it clear that such business is

regarded as a bonus and is not central to the company's strategy.

In the U.S., a volatile and cost competitive market, the company has negotiated a deal with the Huffy Corporation, which will build Raleigh cycles under licence, importing only the high-priced sports and racing bikes from the UK.

Raleigh pulled out of the U.S. because of the unpredictability of the market. In addition to the risk of exchange rate losses U.S. annual sales have fluctuated wildly between 6m and 18m units over the past decade. Profit margins are also tight because of low-cost domestic manufacture and cheap imports from Taiwan on Japan. By contrast, Europe offers a much more stable and potentially profitable market.

Mr Jarvis claims Raleigh is already the European leader, and will increase its share of the 15m a year market from 8 per cent to nearly 10 per cent this year.

Mr Jarvis argues that Raleigh should be able to achieve a market share approaching 20 per cent within five years.

Important to Raleigh's quality image on the continent has been the success of its sponsored teams in the Tour de France and other European rallies.

As a man who has spent eight years with Ford, Mr Jarvis does

not see a need for an ambition to make Raleigh "the Ford of Europe in the cycle world—a modern, profitable, aggressive, market-oriented company."

The European market is high enough to provide such an opportunity, he argues, pointing out that Raleigh's exports have slumped from 1.2m in 1978 to only 400,000. The bulk of the fall has been caused not by falling sales in Europe, but by the loss of unstable markets in Nigeria, Iran and the U.S. "In Europe over the same period we will have more than doubled sales to 350,000 this year," he says.

Given Mr Jarvis' emphasis on aggressive selling, it is no accident that a bold marketing initiative is spearheading

Raleigh's European campaign. Bicycle Motor Cycles (BMX), a sport using sturdy small cycles on rugged tracks, has been popular in North America for a decade. Raleigh, with the launch last year of its own brand "Burner" bikes, has given the sport a major boost in Europe. The lavish promotion programme, in addition to advertising, involves sponsoring teams and encouraging the setting up of new tracks.

"The UK market for BMX this year will be 350,000, of which we will take 70 per cent," Mr Jarvis claims. The next phase of the £6m investment authorised by TI would offer the opportunity for more widespread automation. But job sacrifices should be at an end. "We are now on a rising not a falling cycle. We should be able to get a constant increasing output with the same number of workers. Our efficiency will gain the market necessary to make us once again job creators."

Mr Jarvis, in gaining investment support from TI, has clearly convinced the group board that he has the strategy for survival for one of the UK's more traditional and least glamorous industries. The philosophy, as he says himself, is simple: "Be selective. Concentrate on the products where you have an advantage and can make a profit. Back your judgment with investment and get out of the products that other people can make."

### Europe's Leaders

(estimated share of 1982 European bicycle sales totalling 15m units)

Company	%
Raleigh (UK)	8
Peugeot (France)	6
Kynast (W. Ger.)	5
Kalkhoff (W. Ger.)	5
Motobecane (France)	5
Bielstein Hermanns (Spain)	3
Bianchi (Italy)	3
Rizzato (Italy)	2
Others	62

Source: Raleigh

## Men & Matters

### Black Marx

One of the least complimentary contributions to the centenary of Karl Marx's death is land on headmasters' desks at every secondary school in time for the new academic year. The Freedom Association is circulating a booklet, "The Marx Menace," the Irishman "little above the savage... utterly unfit for manufacture as now conducted," and the "grimy Belgian Jew."

In the revolutionary war storm, wrote Engels, "the Austrian Germans and Magyars will be set free and wreak a bloody revenge on the Slav barbarians. The same war which will then break out will smash this Slav Sonderbund (League) and wipe out all these petty, hidebound nations down to their very names. The next world war will result in the disappearance from the face of the earth not only of reactionary classes and dynasties, but also of entire reactionary peoples. And that, too, is a step forward."

The Freedom Association, no friend of Marxists, is worried that young minds "desensitized by the drumfire of Marxist-Leninist denunciations of racism, colonialism and imperialism," may not be aware of the founding fathers' views. These, it wants them to know, are akin to those of the Nazis.

of life, must give way," he wrote.

Engels has the more vivid lines, writing of "Serbs, Bulgars, Greeks and other robber hands... the lousy Balkan peoples... the brutal, sordid, piratical... the 'lazy Magyars'... the Irishman 'little above the savage... utterly unfit for manufacture as now conducted,' and the 'grimy Belgian Jew.'"

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obscure words to just half that number in everyday English.

Spurred by frustrated councillors, officials called in the city's Literary Group to help Six people, including four graduates, taken off the dole queue on one-year contracts through the Government's community programme, set to work.

One 205-word sentence dealing with corruption was trimmed to a mere 62 words—still still made a lot more sense. Another rule laid down in 620 words was chopped to 227. Big words like "hereinafter" were replaced with little words like "later."

The task took 165 man hours—and the group unanimously agrees it was worth the effort.

### Prize list

Most people—indeed most scientists—see a Nobel Prize as the pinnacle of a scientist's achievement. But far more exclusive intellectual honours are two orders which are bestowed in Britain and West Germany. The Order of Merit and the Order Pour le Mérite, respectively.

In fact, the Germans look on a Nobel as just a first step towards becoming a Knight of the Order Pour le Mérite. Just now, exclusive these orders have been discovered by Dr Anthony Michaels, editor of Interdisciplinary Science Reviews. At the suggestion of a German scientist, he researched the origins and memberships for his September issue.

The German—originally Prussian—order is limited to just 30 living members, the OM to a scant 24. The U.S. has nothing to match their exclusivity, Michaels tells me.

Until 1977, the OM's had never even had a get-together. Then the Queen—whose personal gift the honour is—invited them all

to celebrate the 75th anniversary of the order at thanksgiving service followed by lunch at the Palace.

The latest scientist to receive the OM is Sir Peter Medawar, the medical scientist, in 1981. A vacancy has been created by the recent death of Lord Hinton, the nuclear engineer, one of four post-war nuclear policy-makers the Queen has so honoured. One woman scientist, Prof. Dorothy Hodgkin, currently holds the honour.

The Order Pour le Mérite, created in 1834, elects its Knights—10 each for science, humanities and arts. Other than Lord Todd, there are only two living members of both orders, Henry Moore, the sculptor, and Sir Ronald Syme, the historian.

### Chipping in

Eighty-year-old Ben Cooper of Eighty wrote to the Daily Mail complaining that an 11p packet of crisps was not value for money.

Then he was invited to Riley's Potato Crisps of Southport (annual turnover £15m and part of the Rowntree Macintosh group). Given an hour-long lecture by directors on the recondite problems of achieving an average profit of 1p on a packet of crisps in an adverse trading situation; instructed in climatic geography so that he would know why the potato harvest was poor this year and the effect it had on the futures market.

Taken on a tour of the factory, given a conciliatory lunch and then informed that the price of crisps will be going up again this winter.

The young consumer watchdog was obviously quite impressed. He now wants to be a business tycoon when he grows up.



Photograph donated by R. Lim Loo, Alpha Photo Agency, Singapore.

## A green earth or a dry desert?

There may still be time to choose

The World is destroying its tropical rainforests. Half the forests have gone, and the speed of destruction is accelerating. If this continues we will lose for ever the earth's greatest treasure house of plants and animals, perhaps our most valuable natural resource for the future. In the next 25 years the vast forests of Malaysia and Indonesia could be gone forever, leaving erosion to turn a green paradise into a barren wasteland.

It's happening partly because the local people depend upon the forests for their immediate needs for survival, partly because of demand in the developed world for tropical timbers.

In 1980 the WWF and other authorities published a plan for developing resources without destroying them. We need your help to ensure that this is put into action. Write to WWF for more information. It could be the most important letter you ever write.

World Wildlife Fund - UK, Panda House, 11-13 Oakfield Rd., Godalming, Surrey GU7 1JQ.

FOR WORLD CONSERVATION

Adaptation prepared by Philip G. Haines

Observer

## RIOTS IN PAKISTAN

## Zia faces his greatest test

By John Elliott, South Asia Correspondent, in Islamabad

PRESIDENT ZIA-UL-HAQ'S reputation as the agile military dictator of Pakistan is facing its severest test. The country has been hit by 10 days of often violent demonstrations that have undermined the authority of his six-year-old regime. Now he has to find a way of quelling the troubles before they develop further, without sparking an even more explosive reaction which might just remove him from power.

The President has always claimed that his actions and the success or otherwise of his martial law regime are in the hands of Allah. He sees no reason why the country should not peacefully accept the plans for a "Muslim state and a truly Islamic system" which he outlined on August 12, involving general moves towards the monetary elections and the ending of martial law by March 1985.

But leaders of the country's banned (or "dubbed") political parties think otherwise. Eight of the parties have turned their loosely organised Movement for the Restoration of Democracy (MRD) into a surprisingly successful country-wide campaign. The key issue at stake is the future of General Zia's army-controlled regime and the freedom that he should have to dictate when and how elections are to be held. This relatively arid subject has been given a new dimension by political activists in the southern province of Sindh who want more autonomy from the Federal Government, traditionally dominated by the major province of Punjab. They have turned a moderately peaceful campaign of civil disobedience into a series of increasingly violent riots, which have seriously dented President Zia's image as a smooth power broker.

The organisers' aim is to step up fairly low-key activity in the internationally sensitive North-West Frontier area of Peshawar near Afghanistan and, more importantly, to spread violence to the Punjab, which has been relatively peaceful. Then they reckon President Zia and his fellow generals will begin to panic, fearing especially that the army, which is manned and run by Punjabis, will be loath to quell the riots. "We've proved the fallibility of the Zia regime for the first

time. Now we need a dead body and a great funeral to spark a wider response," one political activist said to me in Karachi. There have already been more than 20 deaths, but the impact has been limited, mainly in Sindh towns on the Indus upstream from Karachi such as Dadu and Naushahro Feroz. This is the area of the family of ex-President Bhutto, executed by General Zia in 1979, and of Mr. Ghulam Mustafa Jatoi, a rich landowning leader of Bhutto's Pakistan People's Party who was recently put under house arrest.

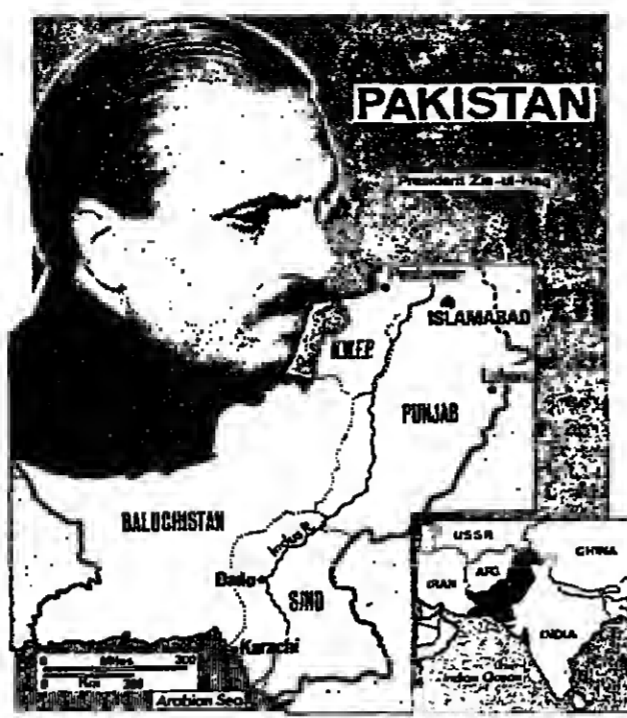
Since the demonstrations started in fairly festive mood during Independence Day celebrations on August 14, there have been up to 2,000 arrests. Martial law courts have been banding out punishments ranging from 90 days' house arrest to one year's imprisonment plus 10 lashes and a Rs 50,000 (£2,500) fine.

"We have got to get the people to lose their fear of the law," said a police officer. "We are increasingly trying to arrest the activists—all of whom we'll really spread the action," commented an activist. The civil disobedience takes the form of a strike from the start of the day. From the start of the day, the law by addressing unlawful political meetings and carrying placards. Police are now increasingly trying to arrest the activists—all of whom we'll really spread the action," commented an activist.

The arrests often lead to rocks being thrown at the police, who respond with baton charges, tear gas and rubber bullets. The crowds sometimes then spread through the towns, causing damage to banks, court houses, railway stations and other buildings. Buses have also been set on fire and railway lines have been damaged.

These are the most persistent and widespread riots since General Zia came to power, surpassing the troubles of 1979 when the U.S. embassy in Islamabad was burned down. The riots of 1981, and more localised disturbances such as the Muslim riots in Karachi and women's rights protests in Lahore earlier this year.

Sindh landowners like Mr. Jatoi, who were invited by Gen Zia to become Prime



Minister in 1980 but was arrested seven months later without taking office, had hoped earlier this year to negotiate a settlement with the President that would avoid a violent eruption.

In the political activists' view, Gen Zia has now failed to produce an acceptable plan, six years after seizing power. Frustrations over this among both the landowners and the younger activists have combined with the Sindh province's traditional but bottled-up political frustrations to lead to a series of events in the past 10 days that no one appears to have foreseen.

Whether there is enough dissatisfaction with the Zia regime to fuel a full-scale rebellion is a question that is constantly being asked. Although the economy is propped up by foreign aid and by the remittances of Pakistanis working abroad, the country's balance of payments has been improving. There is a general air in most towns of a developing consumer society. World Bank figures show the average annual per capita income as \$380 per person compared with \$300 in Sri Lanka, \$260 in India, and little more than half that figure in Bangladesh. There is widespread resentment that defence spending takes up almost half the annual budget (Rs 57bn for 1983-84). But General Zia's regime has been blessed with five successive good harvests that have propped up his economic downfall.

"God has made us self-sufficient in food grains," he explained in his "Muslim state" speech. He also summed up other achievements of his regime, some of which at least this week seem no longer true: "Today by the grace of God there is peace and tranquillity in the country. People are earning their livelihood with their hard labour and have a peaceful sleep. There are no midnight knockings on the doors. The sanctity of women is no longer unsafe at the hands of the custodians of the law, and women are no longer harassed by goondas (armed robbers) under official patronage."

These remarks were intended to draw a sharp contrast with the harsh Bhutto regime that Zia replaced. But when Zia executed Bhutto, he created a

martyr who is extolled by his PPP members for the good he did for the poorest people rather than for the violence of his final years in power.

Zia's overwhelming emphasis on the Islamisation of Pakistan tries many people, particularly lawyers and other middle and upper classes of Karachi and to a lesser extent, Lahore (although the business community does not want the Zia regime disrupted). His critics dismiss his Islamic zeal as little more than a ploy to divert public attention from the military aspects of his regime. Many people, however, recognise him as a devout Muslim. Many also admire the way he balances his extreme Islamic pronouncements with a far more cautious approach to actual policy innovations.

Indeed, he is so cautious that some Islamic right-wing groups oppose him. He has been attacked by mullahs from Punjab and even the basically loyal Jamaat-Islami party wants him to speed up his hand-over of power.

Like the parties in the MRD, it harbours the suspicion that he does not want to allow political parties to have any role in the coming elections. The parties and their senior activists have been banned from municipal elections now about to take place, and it seems that no active member of Bhutto's PPP is likely to be allowed to stand in the provincial and national elections if Zia has his way.

The constitutional changes that General Zia outlined on August 12 would retain Pakistan's 1973 constitution, now in abeyance, but would strengthen the power of the President over the Prime Minister. Many diplomatic observers believe this is sensible for a developing country. But any impartial evaluation is upset by a widespread suspicion that President Zia himself intends to remain in the job. Behind all the argument, there is the fear that Zia may have announced his ideas merely to placate domestic and international opinion and that, as has happened in the past, he will try to find reasons later for not going ahead. His opponents are determined that if this is his plan, he will become yet another leader of Pakistan to be removed forcibly from office in the country's 36 years of independence.

## The U.S. recovery

## Strong it may be, freakish it isn't

By David Hale

THE U.S. appears to be rewriting the rules of macro-economic behaviour this year.

Real interest rates are at unprecedented levels but domestic final demand increased at a 5 per cent annual rate during the first half of 1983. The U.S. current account deficit may see \$30bn this year, twice its size during the 1978 dollar crisis but the dollar's external value has recently climbed back to Bretton Woods era levels on a trade weighted basis. Remarkable as the American economy's recent performance may seem, it is perfectly consistent with U.S. business cycle history. American economic expansions are typically front-loaded, with two or three quarters of very strong output growth. Averaging together all the post-war recoveries before 1980, real GNP normally grows by 8 per cent in the first year and 4 per cent in the second.

Excluding the collapse of the export sector, the current U.S. expansion is tracking closely with previous ones. Domestic final demand is responding exactly as it should to a highly stimulative fiscal policy, a large year-on-year decline in the level of interest rates, and rapid expansion of pure transaction money aggregates such as currency and demand deposits (old M1).

The American labour market also continues to be highly flexible by the standards of other industrial countries, so that once an expansion begins, employment tends to rise very rapidly and generates powerful consumption multiplier effects throughout the whole economy. Since January the U.S. economy has created over 1.6m jobs, or more than the EEC during the past decade.

There are also 15m more jobs in the U.S. today than at the start of the 1975 economic expansion. The major difference between the current recovery and previous ones is the high level of interest rates. But the difference is less pronounced than it might seem when one takes account of the sweeping regulatory changes which have occurred in the U.S. financial system during the past five years.

Between 1933 and 1978, the U.S. Government maintained tight control over the interest rates which financial institutions were permitted to pay on retail savings accounts. From 1978, until the mid 1980s, official deposit ceilings were generally in line with market interest rates. After that, they became increasingly uncompetitive and encouraged disintermediation whenever Treasury Bill yields rose above 8 per cent, the maximum pre-1978 ceiling on long maturity time deposits. In 1980, 1970 and 1974 there were "credit crunches" in the U.S. mortgage market, which led to immediate slumps in home building activity and more broadly-based business downturns later.

More by accident than design, the old system of financial regulation had evolved into a back-door form of credit control which slowed the U.S. economy at a relatively low level of interest and inflation rates by shutting off the supply of funds to the real estate market.

The American business downturns of the 1960s and 1970s did not just result from rising interest rates, but also from regulatory bottlenecks in the system of financial intermediation. It was the supply of credit, rather than the demand for credit, which formerly drove the U.S. economy into a slump whenever short term interest rates reached 9-10 per cent. Ironically, the Carter Administration started the deregulation process largely to protect the thrift industry from disintermediation as U.S. interest rates rose during the 1978 dollar crisis.

These regulatory changes were successful in prolonging the U.S. housing boom for several more quarters, but they added to Carter's economic management problems later. Removal of the regulatory circuit breakers permitted inflation rates and interest rates to rise to record levels during 1979

and 1980. Indeed, the Federal Reserve's Saturday night conversion to monetarism during October 1979 was in many ways a desperate attempt to fill a policy vacuum that had been inadvertently created.

Now that the U.S. banking system has much more freedom to compete for deposits, it is no longer clear what level of interest rates is required to slow or stimulate the U.S. economy.

International comparisons of interest rates are also complicated by the fact that the U.S. is unique among the major industrial nations in permitting unlimited tax deductibility for interest payments. During the past few decades mortgage and consumer debt have become popular tax avoidance tools.

Between 1965 and 1980, inflation induced business owners to push up the average marginal income tax rate in the U.S. from 21 to 30 per cent. Since the Reagan fiscal programme has cut the average marginal income tax rate to 28 per cent, the U.S. tax system still provides strong incentives to borrow.

A considerable portion of the dollar's current strength is the capital flow adjustment to the interaction of financial deregulation and the U.S. tax system. The new banking rules have helped to increase the returns available from U.S. financial assets but the tax laws continue to encourage a low U.S. personal savings rate.

The problem for the world economy is that the Eurodollar lending market grew up under the old system of U.S. financial regulation. It is much more difficult for external borrowers to cope with the interest rate consequences of financial deregulation and the U.S. tax system than it is for domestic borrowers.

The U.S. economy is not insensitive to rising interest rates and will ultimately slow if they climb higher. But because of financial deregulation everyone must still rethink traditional notions about what constitutes high or low interest rates and stimulative or restrictive monetary policy in the U.S. The fact is we are only now starting to find out.

David Hale is chief economist of Kemper Financial Services, of Chicago.

## Letters to the Editor

## Public spending dilemmas

From Mr Raymond Nottage

Sir,—In his article *Public spending dilemmas* (August 19) Peter Riddell says that the Government has failed to launch the necessary debate about how to finance the public services, and he emphasises the need for open discussion of the issues involved.

His criticism is particularly apt in regard to retirement pensions, the cost of which in the years ahead is a matter of concern. What is required here, however, is not a consultative paper with full costing of all possible options, as Mr Riddell suggests, but a fundamental review of the whole pension system, state and private.

This would include not only the emerging cost of national

insurance pensions but the balance between state, employers' and personal pension schemes, the economic implications of the concentration of financial resources in pension funds and life assurance companies, the cost to the Exchequer of the tax allowances offered to private pension schemes and the disparities between employers' pensions in the public and private sectors.

Because of the inherent complexity of such a review, it could best be undertaken by a Royal Commission. This would enable all the issues involved to be examined objectively and with the care they deserve, and in ways that would stimulate public discussion of them and prepare the public for changes in the present arrangements if that should appear to be necessary.

Since the Prime Minister does not envisage proposals for major alterations to the welfare state being brought before Parliament before the next General Election there is time enough for a Royal Commission on Retirement Pensions to be appointed, to carry out its work and to report. To let slip this opportunity on a matter of such importance to so many people and to the nation as a whole would surely be most unfortunate.

Raymond Nottage,  
36E Arkwright Road,  
London NW3.

## Inquiry into Sizewell B

From Mr J. Keller

Sir,—I should like to make the following comments on the article in Thursday's issue (August 18) on the Sizewell B inquiry:

1—The design proposed for Sizewell B is not similar to that of the American Three Mile Island station. To say that it is immediately renders the whole following article suspect.

2—The Sizewell B station is not intended to be built in isolation, but is intended as the prototype for a whole series of stations. This policy has been very successfully carried out in France in recent years.

3—As the article somewhat grudgingly admits, the design will be a sale one. It should be borne in mind that nuclear power stations cause far less pollution of the atmosphere (acid rain) than coal or oil-fired stations.

4—Finally, in spite of many misleading figures circulated by interested parties, nuclear power stations, whether of the FWR or the AGR type, are a cheaper means of producing electrical energy than coal-fired and far cheaper than oil-fired ones.

J. Keller,  
5, High Leys Drive,  
Oadby, Leicester.

## Chance to cut the PSBR

From Mr David Liss

Sir,—Peter Riddell asserts that there are only three major areas (of government spending) where major savings can be obtained—defence, social security and the National Health Service.

This ignores the fact that as recently as July 1979, it was the cost of servicing the Government's own debt which was the Government's biggest single item of expenditure.

The case for index-linking has been ventilated in your columns in the past, by your predecessor as well as by others. Now that inflation is low and rising gently, I believe that Mr Lawson has another chance to reduce the PSBR by perhaps £1bn annually for a number of years, if he can be persuaded to disregard conventional advice, to call the chairman of the insurance companies to No 11 and tell them that they could help the country comparatively painlessly by throwing their weight behind the acceptance of suitable conversion offers for existing debt.

David Liss,  
37 Wilton Avenue,  
Chiswick.  
London W4 4HX.

## World currency problems

From Major J. P. Warren

Sir,—I find it extraordinary that in Samuel Brittan's "De-coupling from the dollar" (August 11) and in Nicholas Collesier's "A bad system shatters a good one" there is no reference to gold.

Lord (then Sir Leslie) O'Brien once said, when Governor of the Bank of England: "The enthusiasm for getting rid of gold owes much to the fact that in this unfavourable age currencies cannot stand comparison with it."

As every honest person knows this to be the truth, why no mention of it in these articles about the crumbling world monetary system?

Major J. P. Warren,  
Cherrywood, Alford,  
Nr. Catterick, Surrey.

## Industrial relations at BL

From Mr Roy Edwards

Sir,—With its history of problems associated with the activities of the politically motivated, British Leyland was bound to be extremely sensitive to any development that took their industrial relations back to the pre-Edwards era.

However, whether British Leyland has over-reacted in the particular instance of the Cowley "moles" can best be judged by the attitude of their workforce who appear to accept the management's actions.

All of us from both parts of industry seek to promote the fullest political freedom. We must counter this, however, with utmost vigilance to ensure that minorities of whatever persuasion do not subvert our industrial institutions.

Over many years as a leading national negotiator for BL staff I witnessed the difficulties of the management and union officials as they regained control of the chaotic industrial relations in the company.

I rather doubt if anyone in BL—employees, unions, or management—regret the departure of the "moles."

Head of Industrial Relations  
The Industrial Society,  
Peter Rans House,  
3, Carlton House Terrace,  
London, SW1.

## Scales of commission

From Mr Lionel S. Gostin

Sir,—In view of the fact that house agents, solicitors, stockbrokers, and the administrators of deceased estates, charge

rising scales of commission based not on the amount of work handled but on the in toto value of the sum involved, it is quite beyond my comprehension that the normally super-astute clearing banks charge the same for clearing a cheque for £50,000 as they do for a £10 one.

Perhaps it is because somebody, some time, somewhere along the line, has slipped up badly!

Or is it just possible that they are less Socialist-minded than the other aforementioned financial institutions?

Lionel S. Gostin,  
"The Cottage,"  
2, Wyke Oliver Road, Preston,  
Weymouth, Dorset.

## Pitfalls of gold dealing

From Mr K. G. Morris

Sir,—Mr Schlesinger (August 18) advises the small investor wanting to deal in gold bullion coins to advertise in his local paper for buyers or sellers, and trade at the mid-market price. This is an excellent idea, but does one want to proclaim to all the world in one's local paper that one has gold coins?

A few years ago I advertised for sale in mine a single numismatic gold coin. I had about four telephone calls from callers who were not interested in that coin, but wanted to know what other gold coins I had, whether I kept them in the house, etc. and I got the impression that they were burglars who study the small ads of Articles for Sale to find houses worth burgling.

Another interesting incident, which I do not think has any connection with the previous one, is that recently my house was burgled while we slept and

New Issue

These Notes having been sold, this announcement appears as a matter of record only.

June 1983

# NiB

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NOK 100,000,000

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Kreditbank International Group  
Sparebanken Oslo Akershus

Algemeine Bank Nederland N.V.

Bank Brussel Lambert N.V.

Banque Internationale à Luxembourg

Bayerische Hypothek- und Wechselbank

Berliner Handels- und Frankfurter Bank

Commerzbank Aktiengesellschaft

Den Danske Provinsbank A/S

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Amro International Limited

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## SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Wednesday August 24 1983



### Major Scott Paper sales show new group strategy

BY TERRY BYLAND IN NEW YORK

SCOTT PAPER, the Philadelphia-based world leader in tissue paper products, confirmed Wall Street predictions yesterday with the announcement of an agreement to sell off its foam division as well as plans to dispose of its Brown Jordan furniture division and of 240,000 acres of timberland in the north-eastern U.S.

The company would put no price tag on the assets involved but indicated that the three deals, which will not be completed until next year, will bring in cash proceeds of "hundreds of millions of dollars."

The foam division, which makes foam carpeting and bedding and also safety foam for the aviation industry, is being sold to General Foam Industries, the New Jersey company which recently failed to obtain

control of Sotheby's, the UK art auctioneer.

Brown Jordan manufactures leisure furniture. Results of the two divisions were not disclosed last year but they accounted for less than 7 per cent of sales. Scott has more than 3m acres of timberland.

Scott has been reviewing the full range of its operations for several years, as part of its plans to concentrate on its core businesses in paper, pulp and packaging. The board's strategic plan calls for a \$1.8bn investment over a five year period.

The company said yesterday that the review of assets would continue but declined to identify any other potential disposals.

The timing of the asset sales suggests a disagreement on the board

of Scott and Brascan, the Toronto-based holding company which is the major shareholder in the paper company.

Brascan announced in July that it wanted to increase its Scott stake from the present 23.7 per cent to 50 per cent of the equity, thereby proposing to modify a "standstill" arrangement signed in 1983.

The Scott directors have rejected Brascan's proposal but the Canadian group has said it intends to lift its Scott stake to 50 per cent in 1988 "unless the price is out of sight."

Scott's strategic plan has been part of its struggle to recover from several lacklustre trading years. After peaking in 1979, earnings showed a further decline in 1982, when net income dropped by 44 per cent to \$74.5m.

### Holmes à Court gets go-ahead for BHP share exchange offer

BY LACHLAN DRUMMOND IN SYDNEY

AUSTRALIA'S corporate watchdog, the National Companies and Securities Commission, has raised no objections to Mr Robert Holmes à Court's proposed share exchange offer for stock in BHP, Australia's biggest company.

The NCSC statement yesterday came a week after the commission announced it would hold talks with BHP and the Holmes à Court bidding vehicle, Wigmore. The lack of objection suggests it has been convinced of the merits of the Wigmore offer and that it will not develop into a de facto cash raising by Wigmore.

However, it has also questioned whether it is in the NCSC's power or its brief to make such objections. It says the takeover announcement from Wigmore envisages that more than 20 per cent of BHP could be acquired should sufficient shareholders accept, and points out that the acts the commission administers impose limitations to en-

sure shareholders in target companies are given essential information necessary to make a decision.

"It is not the NCSC's function to make any judgment or comment concerning the merits of the proposed bid, the motivation of Wigmore's directors or the price which Wigmore offers for BHP shares."

However, it adds that "cases such as this raise the general question of where the burden of regulation should in future fall," adding that it is considering making recommendations to its governing body, the Federal-State Ministerial Council for Companies and Securities.

The acts administered by the NCSC and the Corporate Affairs Commission in each state are closely worded and designed to catch all eventualities, although the commission also has wide-ranging powers applying to "unacceptable conduct."

Meanwhile, formal offer documents from Wigmore carrying no

minimum or maximum acceptance conditions are due to be cleared by the companies authorities this week.

As even a minimal acceptance of 0.25 per cent of the BHP shares will have the effect of boosting Wigmore's issued capital by 25 per cent, and Mr Holmes à Court believes acceptance by 1 per cent of the 344m BHP shares will count as success, the normal setting of minimum or maximum acceptance levels will be ignored.

However, should a wave of similar bids arise - particularly with the intention of converting the acquired shares of big Australian companies to cash - the NCSC may be moved, through its discretionary powers or through legal adjustment, to set ground rules for disclosure of future activities of the companies which would be issuing stock to new shareholders. This would fit with one of its functions to ensure an informed market.

### Casino rumpus forces South Africa to sell Safmarine stake

BY OUR JOHANNESBURG CORRESPONDENT

FEARS OF political pressure appear to have prompted South Africa's Minister of Industries, Commerce and Tourism, Mr Dawie de Villiers, to terminate the state's involvement in casino gambling. Mr de Villiers says that the state-owned Industrial Development Corporation (IDC) is to sell its 50 per cent interest in Safmarine, the national shipping line, which last week linked up with the casino interests of the Southern Sun and Holiday Inn hotel chains.

South Africa does not allow casino gambling within its own borders. As a result, demand for this form of entertainment is satisfied by casinos operating in the neighbouring states of Swaziland, Lesotho, and Botswana, as well as in the so-called "independent national states" of Transkei, Ciskei, Venda and Bophuthatswana.

Competition for ownership and management of casinos in these areas has been intense between Holiday Inns and Southern Sun.

Last week's agreement, whereby their casino interests are to merge and Safmarine is to buy an indirect interest in the casino-operating company managed by the flamboyant hotelier, Mr Sol Kerzner, was designed to eliminate counter-productive competition.

As the merger involves companies nominally operating outside South Africa itself, it was of no interest to the country's Competition Board. However, the news that Safmarine was to back Mr Kerzner and buy into the casino operations was greeted by a chorus of disapproval from influential church groups and supporters of the National Party.

As they saw it, this was tanta-

mount to state involvement in a gambling industry which was not permitted in South Africa, and was therefore morally indefensible.

Mr de Villiers' first reaction was that Safmarine participation was simply a commercial transaction. The shipping company, in conjunction with the other casino partners, said that the intention was to boost tourism in southern Africa above the present annual level of 700,000 visitors.

As part of this, Safmarine said it was planning to reintroduce a regular liner service from Europe to the Cape and that it was thinking of establishing floating casinos. This claim was widely seen as a smokescreen.

Mr Kerzner had already reached agreement whereby he would step down as Southern Sun's chief executive.

### French buy Cooper Basin gas output

BY OUR SYDNEY CORRESPONDENT

THE Cooper Basin partners in Australia have secured a contract for almost all the liquefied petroleum gas production expected when the final stages of the AS12bn (\$1,000bn) liquids scheme are completed next year.

Santos, the senior partner in the basin, confirmed yesterday that it had negotiated a contract with the Compagnie Française des Pétroles

group worth about A\$400m a year.

The basin partners in 1981 signed a 12.5m tonnes five year contract with Idemitsu of Japan, covering about half of an expected annual tonnage of LPG production of around 500,000 tonnes for this first five years.

The contract with French Total group, which is still to be finalised,

appears to be for a tonnage of around half that of Idemitsu, leaving the remainder to be taken up by domestic sales.

The contract is subject to Federal Government approval, but with Australian demand at 570,000 tonnes and local production from refineries and the Bass Strait oil fields already at 2.2m tonnes, it should create few problems.

### Inventory gain lifts Deere earnings

By William Hall in New York

DEERE and Company, the leading U.S. farm and industrial machinery manufacturer, managed to make a small profit of \$1.1m in its third quarter to July 31 after taking in a \$15m gain on its reduced inventory levels.

After adjusting for the inventory gain the performance in the latest quarter is worse than in the comparable period of last year when Deere made a profit of \$4.2m.

Mr Robert Hanson, Deere's chairman, said yesterday that results continue to be affected adversely by the significant decline in sales and production volumes and the high cost of sales incentive programmes.

In its latest quarter Deere's sales of \$955m are 12 per cent down on a year ago and for the first nine months of its current fiscal year sales are 17 per cent lower at \$2.9bn.

The group's net loss of \$34.7m in the first nine months compares with a net profit of \$48.2m in the same period of last year.

During the first nine months of the current year results have been boosted by a \$23.4m after-tax gain on inventory reductions.

The company has always valued its inventories on a LIFO basis (last in first out). When LIFO-valued inventories decline, lower costs which prevailed in earlier years are matched against current year revenues, resulting in higher reported net income.

### Firestone back to profit in third quarter

By Our New York Staff

THE RECOVERY in the North American car industry has boosted the performance of Firestone, the second biggest U.S. tyre producer, which yesterday reported a one-third rise in its third-quarter operating income to \$64m.

Net income in the three months to end July totalled \$31m, which compares with a loss of \$27m in the same period last year when the results were affected by a \$57m charge to cover plant closure.

Operating income of the North American tyre operations rose 23 per cent to \$48m and international operating profits were 88 per cent up at \$27m in the three month period.

For the first nine months North American operating profits more than doubled to \$165m and international operating profits are 40 per cent up at \$31m.

### Dutch paper group declines

BUEHRMANN TEITHEBODE, the Dutch paper producer, has increased its half net earnings by 72 per cent to F1.64m (\$218m) from F1.37m a year earlier. The improvement largely reflected a 27 per cent decline in interest payments.

The operating result was down 17 per cent at F1.481m on turnover broadly unchanged at F1.13bn.

The company said the lower operating result stemmed mainly from a decline in results in its trading division, which was faced with a further weakening in demand for graphic equipment.

The printing and distributive trading division was still under pressure from the recession but showed some signs of improvement.

### Zilkha buys 42% of Towner Petroleum

BY TERRY DODSWORTH IN NEW YORK

MR SELIM ZILKHA, the founder of Mothercare who sold his final 29 per cent stake in a \$10m (\$35m) deal with Habitat 18 months ago, is embarking on a career in the U.S. oil and gas industry.

In collaboration with Mr Ronald Simon, his nephew and an oil industry consultant, Mr Zilkha is spending \$25m for a 42 per cent stake in Towner Petroleum, a mid-ranking, independent Ohio group which has recently been hit by the slump in the energy industry.

Mr Zilkha, who is 56 and will become chairman of Towner, said yesterday he intended to become fully involved in running the company.

Mr Zilkha's investment comes when some U.S. energy specialists are forecasting a recovery in the sector as the U.S. economy

strengthens. But the severity of the recent downturn was reflected in a second quarter net loss at Towner of \$14m, largely resulting from \$12m of asset write-downs.

At the same time Towner's banks led by Marine Midland, have deferred the collection of \$6.5m in interest, and yesterday's agreement is contingent on an amended bank loan package. Mr David S. Towner, the present chairman, said yesterday a preliminary letter of agreement had been received.

After the injection of the new funds, Towner will still be relatively highly geared, with about \$30m of equity supporting loans of \$100m. But Mr Towner said he was confident that the company would be able to master its cash flow problems.

INGVAR KAMPRAD PREPARES TO ESTABLISH FIRST TWO STORES IN THE U.S.

### Ikea to furnish another continent

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

PER ALBIN HANSSON, Social Democratic Prime Minister of Sweden in the 1980s, may have made the country "the People's Home," but it was Ingvar Kamprad who furnished it.

Mr Kamprad, 56-year-old owner and founder of Ikea, one of the world's largest furniture chains with sales in the last 12 months (to the end of August) of SKr 6,025bn (\$773.4m), is now planning to take his unique brand of low-cost, assemble-yourself, Scandinavian furniture to the U.S. following his runaway success in continental Europe.

With 50 stores in Europe and Canada and franchising operations in Australia and the Far East, Ikea is now preparing to establish its first two American furniture stores on the U.S. east coast by late 1984 or early 1985.

Mr Kamprad, a farmer's son from Småland, a southern Swedish province of lakes and forests famed in Sweden as a hotbed of private enterprise and a breeding ground of small and medium-sized businesses, started out in the late 1940s selling flower seeds by post. His goods were brought to the post office on the local milk float.

He quickly moved into mail order and the selling of furniture in kit form in accordance with the principle of "avoiding transporting and storing air." Today few large cities in Scandinavia, West Germany, the Netherlands, Switzerland or Austria are complete without one of

Ikea's huge warehouse stores strategically placed near the motorway system.

West Germany is Ikea's biggest single market, accounting for 44 per cent of the group's SKr 60bn turnover, with Scandinavia providing a further 35 per cent of sales and the rest of Europe 15 per cent. Some 20 per cent of the furniture sold in Sweden comes from Ikea. The concern started up nearly two years ago in France in rented premises and is opening its first purpose-built store to the southeast of Paris next month.

The UK is also high on Ikea's list of new markets for the future, but in three years it has been unable to find a suitable site. A first store in the UK is unlikely before 1988, Mr Kamprad said yesterday.

Ikea has always shied away from revealing any consolidated profit figures, but estimates have put the group's after-tax earnings at SKr 400m-Skr 500m. Mr Kamprad promised yesterday to produce the first consolidated figures next autumn.

To finance current expansion plans for opening two to four new furniture stores a year the group needed after-tax earnings of at least SKr 300m-Skr 400m a year, he said.

According to Mr Ken Muff Lassen, one of a 28-member Ikea management group based in Copenhagen, the company's current profitability is "good and satisfactory."

The concern now has 533,000 square metres of floor space in its stores around the world and a work-

force of 8,000 of whom 2,500 are in Sweden. Around 55 per cent of its furniture still comes from Scandinavia, but increasingly Ikea has also turned to cheaper sources, buying 20 per cent of its supplies from Eastern Europe and 20 per cent from other West European countries.

In recent years Ikea has also made modest moves into insurance and banking, including the purchase of a more than 80 per cent interest in the small, commercial Bank of Copenhagen.

Although deeply dependent on its image of selling the Swedish lifestyle, the ownership of Ikea has been slipping gradually out of Sweden, as Mr Kamprad has made preparations for the transfer of power after his retirement. He has been trying to secure the concern both against crippling death duties and possible family strife.

Industrial ownership is a sensitive subject in Sweden, and controversy was aroused recently when rumours surfaced suggesting that Mr Kamprad was planning the imminent transfer of his shares to a religious foundation in the Netherlands. In fact the moves to structure Ikea's ownership around a Dutch foundation have been under way for several years.

Mr Kamprad himself left Sweden ten years ago, moving first to Denmark, where the group management is located, and then to Lausanne, Switzerland, to ease his personal tax problems.

Ten years ago he started to form a number of holding companies in the Netherlands - the most important are Ingka Holding Europe, Ingka Holding Overseas and Ingka Holding Scandinavia - which today own the operational Ikea companies worldwide.

The holding companies in turn are partly owned by a Dutch foundation - set up to promote "outstanding achievements within the area of architecture and interior decoration" - and partly by the Kamprad family.

In order to comply with Swedish legislation the main part of the shares in the Swedish company Ikea Svenska AB - some 60 per cent - are still owned by the family, but it is a stake that Mr Kamprad is anxious to reduce. As one solution to the succession problems he has considered floating Ikea on the stock exchange but rejected the idea because of the risk of short-term activities and the cost of dividends.

"I have enough money for bread and schnapps and crayfish," says Mr Kamprad, "it is a question of power."

For the present he still reigns supreme over Ikea, but the foundation construction is supposed to prevent problems in the future. "I have three sons... I do not want that a change of generation with possible future conflicts within the family will jeopardise the unity and development of Ikea."

### Setback for Lauritzen

BY HILARY BARNES IN COPENHAGEN

J. LAURITZEN, the Danish shipping company, achieved worse first-half earnings than expected, with results considerably down on 1982. The company gave no figures.

Second-half earnings are also likely to be affected by the weak markets for the company's refrigerated cargo vessels, offshore drilling units and heavy lifting vessels. Lauritzen made a net profit of Dkr 291m (\$29.8m) in 1982.

Earlier this year, Lauritzen took over P&O's fleet of refrigerated cargo vessels, of which it currently operates 30. Only one or two of those have been laid off so far this year, but the market has been adversely affected by storms and droughts in various parts of the world.

### Offer for Campsa stock

BY DAVID WHITE IN MADRID

SPAIN'S state energy holding company, Instituto Nacional de Hidrocarburos (INH), is to offer minority shareholders in the Campsa oil distribution authority two and a half times the nominal value of their shares in order to take full control.

The move is the first stage in a reorganisation of Campsa, whose monopoly the European Commis-

sion wants dismantled if and when Spain joins the EEC.

Campsa, already 53 per cent controlled by INH, holds responsibility over the transport, distribution, storage and marketing of oil products.

INH's bid, submitted to the Bourse authorities, prices Campsa's nominal Pta 500 shares at Pta 1,250.

This announcement appears as a matter of record only.



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In accordance with the provisions of the Notes, notice is hereby given that the interest from 24 August 1983 to 24 February 1984 the Notes will carry an interest rate of 10 1/4 per annum. The interest payable on the relevant interest payment date, 24 February 1984, against Coupon No. 9 will be US\$54,944.

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# INTL. COMPANIES & FINANCE

Dubai jail term highlights the problems of Arab investors

## Salutary lesson for commodity firms

BY KATHLEEN EVANS AND MARY FRINGS IN BAHRAIN

ON Monday the British manager of the Dubai office of Legation Commodities was released from prison. Mr Brian Angove's eight weeks in jail have raised serious questions as to the future of commodity dealing not just in the Emirates but in the Arab world as a whole.

Mr Angove had been general manager of Legation Commodities (Dubai) for only a few months when, as the highest ranking executive of the company, he was arrested on June 17. This was after a Mr Hussein Faisal, a UAE national, had obtained a court order making Mr Angove responsible for an alleged debt of Db 1.8m (\$500,000).

Legation Commodities (Dubai) is 49 per cent owned by Legation of Hong Kong with the rest of the shares being held by a group of UAE nationals, including some prominent in commercial and financial circles.

The Abu Dhabi courts have now accepted the defence contention that it is the company's partners rather than the manager who are ultimately responsible for the bond required by the courts. Mr Angove was not even in Dubai when the disputed transaction took place nearly two years ago.

For commodity dealers working in the region the Legation saga has proved a salutary one. Not surprisingly many of these saw the Middle East as a promising market for clients. A few years ago several dealers set up in Bahrain, no doubt intent on scooping up the funds of Arab investors on the look-out for quick profits.

When the Bahrain Monetary Agency decided to regulate these fast-growing institutions and introduced stringent requirements to protect local

investors, several of the dealers moved their base of operations to the unregulated markets of the UAE. Quickly they attracted funds from many UAE nationals and wealthy expatriates who joined the existing long list of, primarily, Saudi clients.

So far it has not been a happy experience, particularly for the investors. For Legation is the third commodity dealing company to go into liquidation in the Emirates. Earlier two other brokers, Unigold and Trivest Commodities, went bust leaving a string of claims totalling millions of dollars to be settled by the courts.

Even such prestigious names as Merrill Lynch have not been untouched. This well-established trading giant faces a court action in Dubai from a client alleging mismanagement of funds.

A large part of the problem is the complexity of the business of trading and the relative inexperience of Arab investors in this field. Such investors, accustomed to fat profits from their local activities, saw futures trading as a means of obtaining similar gains abroad. As such, Middle East investors are unused to making losses, especially of the size that can occur on the futures market.

For many UAE investors the long range playing of the commodity markets came to resemble the Souq al Manakh operation in Kuwait. As with the Souq, which crashed leaving billions of dollars of uncleared postdated cheques last year those who played the futures markets and lost became deeply embittered.

This bitterness was increased when it was not all commodity dealers in the Gulf played by the rules. Many

of the newer entrants were managed by Hong Kong brokers and several are under investigation by their own exchanges for dubious dealings. Five firms have already been suspended for irregular trading.

In the UAE the most common complaint from investors is simply over the scale of the losses involved. Some have had their entire investment wiped out—a rare phenomena, say experienced brokers.

Even more seriously, however, when investors have made losses and attempted to withdraw their remaining funds they have found local dealers often unable to come up with the money. Some investors are now alleging that several dealers have not been making the transactions ordered by the clients.

A group of Saudi investors dealing with a Hong Kong related company had ordered the purchasing of a large quantity of gold in New York. A later investigation by Comex found that not only was there no record of any such purchases but that insufficient quantities of gold were being traded at the time of the order to have covered such a big transaction.

Another major accusation against the commodity dealers is the bare sell approach used by them in the region. Potential investors are wooed by long lunches, glossy brochures and encouraged to expect high returns.

All the companies ask their clients to sign statements acknowledging the risks involved in such speculative investments. But Arab investors complain that little has been done to draw their attention to the possibilities of large losses and that these risks were not mentioned in the statements. Many

of a bundle of papers they were asked to sign.

In some extreme cases there have been investors who have lost all of their life savings playing the commodity markets. It is normal practice for the reputable dealers in the U.S. and elsewhere to advise clients not to risk more than 10 per cent of their net worth on such markets. In the UAE such cautionary advice was not mentioned by the salesmen pushing the commodity dealers wares.

As for Legation itself, it remains unclear how much of its Db 1m issued capital is available in the UAE. Its local partners are now suing the Hong Kong parent in the colony's courts alleging illegal transfer of funds. Some Db 400,000 in realised assets have been paid out by the liquidators in staff wages and settlements of accounts.

The company is still active on the Hong Kong exchange and is a member of the Chinese Gold and Silver Exchange Society. One of its principals, Mr Thomas Lo, who was responsible for the overseeing of the Dubai operation has not been seen in the Gulf for some time and the parent company did not respond with requests to provide a bank guarantee to obtain Mr Angove's early release.

As the investors and the reputable brokers examine the damage following the Legation saga the Dubai municipality is now said to be, belatedly, considering some protection measures for investors. Yet the business of all the commodity dealers is bound to be affected by the bad odour left by the sharper operators and this could well affect their standing throughout the region for some time to come.

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24 August, 1983

## OUB ahead at half-time

GROUP PROFITS of the Overseas Union Bank (OUB) increased by 8.5 per cent to \$321.5m (U.S.\$10m) after taxation in the half-year ended June 30 last. The bank also disclosed a diminution in the value of assets and transfers to inner reserves, writes George Lee in Singapore.

The group revealed that the after-tax figure excludes a profit on the sale of investments by its subsidiary amounting to \$87.2m.

Profit of the parent bank it-

self expanded at a lower rate of 2.3 per cent to \$320.1m. OUB has declared a gross interim dividend of 10 per cent. The group's finance subsidiary, Overseas Union Trust, reported a sharp rise of 40.3 per cent to \$33m in pre-tax profit for the same period.

In a separate announcement OUB's widely diversified associate company, Overseas Union Enterprise (OUE) disclosed a 4.4 per cent improvement in group pre-tax profit to \$316.6m for the six-month period.

## Hong Kong bank improves

THE Hongkong and Shanghai Banking Corporation has reported consolidated net profits of HK\$964m (U.S.\$129.8m) for the six months to June 30 1983, 8.6 per cent higher than the HK\$388m reported for the corresponding prior year period, writes Robert Cottrell in Hong Kong.

The previous year's figures are restated on the equity accounting base which the bank adopted at its last year-end. The

Bank also says total assets increased between June 30 1982 and June 30 1983 from HK\$379bn to HK\$428bn, while shareholders' funds rose from HK\$15.6bn to HK\$16.7bn.

Banks in Hong Kong are allowed to make undisclosed transfers to secret inner reserves, so neither the publicly-stated profits nor assets figures necessarily reflect the bank's true position.

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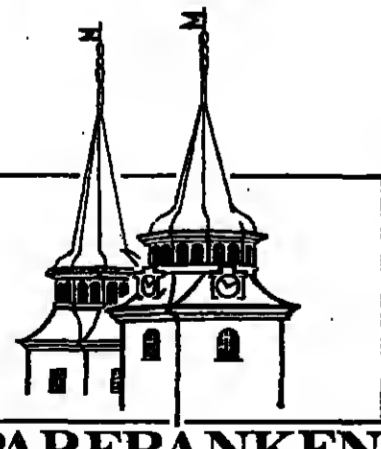
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## MANAGEMENT

FEW SMALL companies have had such a flying start as Acorn—one of the leading players in the UK's thriving microcomputer business. Acorn supplies the highly successful BBC microcomputer and is the major source of micros in primary schools.

Founded five years ago, it is in the last two years that Acorn's fortunes have rocketed. In the last financial year sales reached £42m, compared with £9m the year before, and customers are still queuing for its products.

But Acorn is entering a new phase which will be a major test of its maturity. Significant events include:

- an expensive launch into the U.S. market where it faces ferocious competition from giants like Texas Instruments, Atari, Apple and IBM;
- yesterday's launch of a new low cost product (the Electron) for the UK, to compete with Sinclair and Commodore at the bottom end of the market but without the direct benefit of the BBC label;
- the sale of 10 per cent of its equity on the unlisted securities market;
- the development of a business computer for launching next year.

In addition the fierce price war for personal computers in the U.S. and to a lesser extent in the UK is making business much tougher.

Acorn's still sparkling reputation is largely based on its technological strengths—a key factor which helped it win that all-important contract to supply the BBC two years ago. A remarkable 80 per cent of Acorn's 200 employees are involved in research and development and the company has ambitious plans for new products.

Acorn has close links with Cambridge University's Computer Laboratory and most of its technical staff have been recruited from the university. "We are a nice transition from academia to the brutal world of commerce," says managing director, Chris Curry.

But in many other areas Acorn's image has been tarnished. Past problems have included muddled product launches, long waiting times for computers and peripherals, weak technical support, poor relationships with dealers and a general lack of software.

Acorn is not unique with these types of problem. Indeed they are almost the norm for the UK microcomputer industry—which appears to have unusually forgiving customers. The cabot of the BBC name made customers even more willing to wait for the Acorn product.

Acorn has been to meet some of the criticisms—such as

having a full-time staff of 20 answering technical queries on the telephone—but the launch yesterday of the newest micro, the Electron, was first promised at the beginning of this year. The Electron will take Acorn for the first time into close competition with Sinclair Research, the company founded by Curry's old friend and colleague Sir Clive Sinclair. Earlier this year Sinclair cut the price of its top computer from £125 to £99.

Acorn has gone out of its way to say it will not cut prices. The price war in the U.S. has caused major problems for Texas Instruments, Atari and the Timex version of the Sinclair computers. Chris Curry, one of the co-founders of Acorn, worked with Sir Clive for 18 years of the ill-fated Sinclair Radiolinks, which made pocket calculators and very small televisions, and was eventually rescued by the National Enterprise Board (now part of the British Technology Group).

Curry left the troubled Radiolinks company to run another Sinclair offshoot, Seleca, a company of Cambridge, and launched one of the first microcomputers in the UK. This was in kit form and strictly for electronics enthusiasts. He left because of disagreements with Sinclair over future product policy and autonomy.

Chris Curry, together with Herman Hauser, who was also working at Science of Cambridge—left and set up a microprocessor consultancy called the Cambridge Processor Unit. One of the consultancy's early assignments was solving the development problems of an electronic one-arm bandit. The money from that assignment helped finance his first computer.

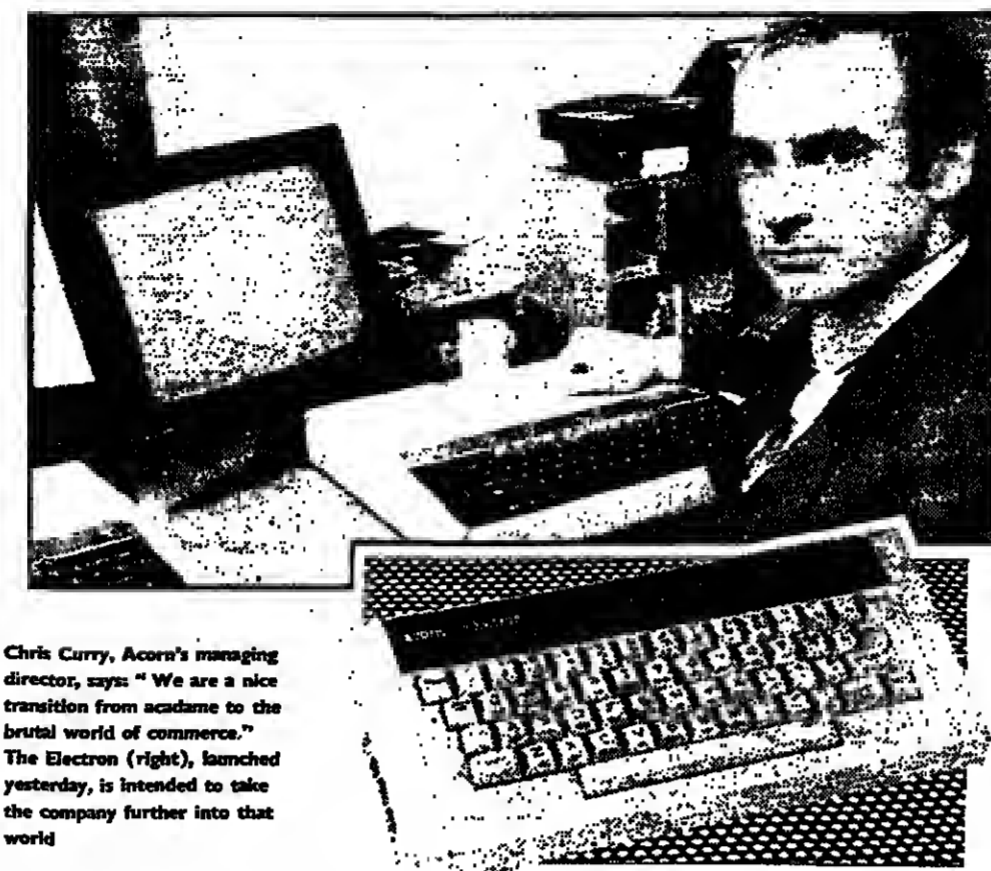
Acorn launched that computer, the Atom, in 1978. It cost £120 and was sold without any applications software, just an operating system. One of its claimed strengths was the well-structured version of BASIC used for programming. It was initially aimed at the educational market but it did poorly there because at the time there was little to distinguish Acorn from the host of other fledgling British microcomputer companies.

To win this golden prize Acorn had to make a number of concessions. The BBC's technical requirements, inflexible programming schedules, poor estimates of potential demand and low pricing were all to lead to problems.

Design problems with a special microchip meant the series had to be delayed until Acorn solved them. The BBC had estimated demand for the micro to be 12,000—based on

## Acorn's bid for a separate identity

Jason Crisp reports on the steps taken by the UK computer company to build on its strengths



Chris Curry, Acorn's managing director, says: "We are a nice transition from academia to the brutal world of commerce." The Electron (right), launched yesterday, is intended to take the company further into that world

BBC was planning to run a series on computer literacy based on a low-cost micro. At that time there was little to distinguish Acorn from the host of other fledgling British microcomputer companies.

To win this golden prize Acorn had to make a number of concessions. The BBC's technical requirements, inflexible programming schedules, poor estimates of potential demand and low pricing were all to lead to problems.

Design problems with a special microchip meant the series had to be delayed until Acorn solved them. The BBC had estimated demand for the micro to be 12,000—based on

audience research figures. This turned out to be a tiny fraction of the actual demand. (Production is currently 18,000 a month and it is being stepped up to 25,000 in September.) The BBC also held Acorn to too low a price which had to be increased from £230 to £299 for the basic model. (Quite against expectation the BBC micro was not particularly price sensitive, 75 per cent of sales have been of the more expensive model which costs £399.)

Like Sinclair Research and several other new microcomputer companies set up in the UK, Acorn does not manufacture the computers itself. The

BBC computer was made by ICL, Britain's largest domestic computer company, and Clearstone in Wales. The new Electron is being made in Singapore.

To add to Acorn's problems Clearstone went into liquidation at a critical point.

But the problems were eventually resolved and Acorn then received a major fillip by becoming one of two (now three) approved suppliers of micros for schools, thus getting a 50 per cent subsidy from the DoE. Acorn claims to have about 80 per cent of the primary schools market and 45 per cent of secondary schools.

The company has now begun to look to new fields. The Elec-

tron, which costs £199, will be able to use some of the software available for the BBC computer. Although this sector of the market is fiercely competitive, it is growing very rapidly. Acorn hopes to be selling 20,000 a month by October and plans to advertise the Electron heavily (£2m will be spent on promoting its products between now and January 1984).

Acorn says its relations with dealers are improving and there will be a better margin on the Electron than on the BBC computer. Dealers have complained of the poor margin on the BBC, but the continuing strong demand ensured they continued to stock it.

Acorn is also planning a major move into export markets. Curry wants to see a proportion of overseas sales about equal to its UK business within two years. At present it is 10 per cent.

The main target is the education market in the English speaking world including Australia, South Africa and the U.S.

Acorn's planned foray into the U.S. is much tougher proposition. A first step has been to buy the U.S. rights to the first BBC series on micros for \$270,000. Acorn has "re-engineered" the programme to the U.S. Public Broadcasting Service (PBS) which intends to show it three times.

We can't possibly compete with the U.S. computer companies; they spend money on advertising as if they were promoting soap powder," says Curry.

Acorn also plans to concentrate on the U.S. education market which attracts particularly fierce competition. Many of the leading U.S. companies strongly support the schools market. Apple, for instance, has given computers to schools and IBM has been loaning its "personal computer" to schools in some areas.

Acorn has set up a team to bring together all the education software which has been written for its microcomputer by third parties. Software is the key to that market and Curry believes it will be Acorn's major strength.

The hardware and the software will be offered as a complete package in the U.S. and will cost \$800. The availability of suitable software is particularly crucial in the education market and is one of Apple's particular strengths. Acorn hopes it has identified a niche between the low cost home computers—where there is a vicious price war in the U.S.—and the more expensive machines, such as those from IBM.

The main U.S. launch is planned for September, Acorn

has a tentative agreement with Computarland, the large chain of franchised computer retail stores, to stock its micros.

Curry expects Acorn will lose "several million dollars" in the first two years in the U.S. but thereafter he believes it will reap substantial earnings. Once established, the computers will almost certainly be made in the U.S. as well.

Another major new venture for Acorn is a plan to launch a low-cost business computer costing from £900—for a very basic terminal—up to £2,500. It will be based on the BBC machine but will be more powerful, using two microprocessors.

Acorn hopes to sell the business machine to large companies—a considerable number of BBC micros have already been sold to that market. "There is an enthusiasm and a high level of appreciation for the Acorn product and a number of doors are open to us," says Curry.

Another recent development is to become a so-called original equipment manufacturer, producing computers for other companies to sell under their own names.

British Telecom has ordered two versions of the Electron to be used for information retrieval.

In preparation for the sale of part of its equity on the U.S.M. Acorn is beginning to formalise its management structure. The company has been largely run by Curry and Hauser, together with a finance director. Now the company is creating a board with directors for research, sales, manufacture and finance.

The main reason for the flotation is to finance the venture into the U.S. and other overseas markets and also to give the company a better capital base which Curry acknowledges to be "minute" at the moment.

Acorn is based in a former water-software plant outside Cambridge and is already bursting at the seams. The plan is to build a new extension in a field alongside which will house its expanded research team and equipment to make prototype microchips to enable it to speed up the design process.

Acorn is expected to be one of the more successful companies to come to the U.S.M. this year, even if enthusiasm for the personal computer market is being dampened by the price war in the U.S. When Sinclair Research—the nearest comparable company—offered 10 per cent of its equity privately last year potential investors fell over each other in the rush. In spite of the problems which face Acorn it is still a hot prospect for this high flying microcomputer company which will be strong.

## Business courses

Sales management — team leadership, Kent, September 11-15 1983. Fee: £550. Details from 1518 1983. Client Services Director, Sundridge Park Management Centre, Bromley, Kent, BR1 3TP. Tel: 01-464 4121.

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## TECHNOLOGY

THE AGE OF TELECONFERENCING IS COMING NEARER

## Microchips threaten business travel

BY GEOFFREY CHARLISH

THERE are those in the communications industry who believe that, given modern transmission techniques and "chips," business travel will soon be the exception rather than the rule.

The rationale is simple enough: transmission, especially of images, by digital methods over optical "phone" lines must get cheaper and cheaper due to the low cost of bandwidth on fibre, while air and surface travel, mainly due to decreasing hydrocarbon reserves, must get dearer and dearer.

Meetings can only get costlier and there is a feeling that after some false starts, we might now be much nearer to the age of video "teleconferencing."

While optical land line growth is accelerating, rather slow and optical submarine cables are not yet fully developed, the communications satellite has come into its own and increased power is being put into small-diameter, low-cost earth stations to be sited on companies' premises.

Even so, bandwidth still signifies expensive cash and the search has never stopped for a means of accommodating images, moving images in particular, within fewer megahertz.

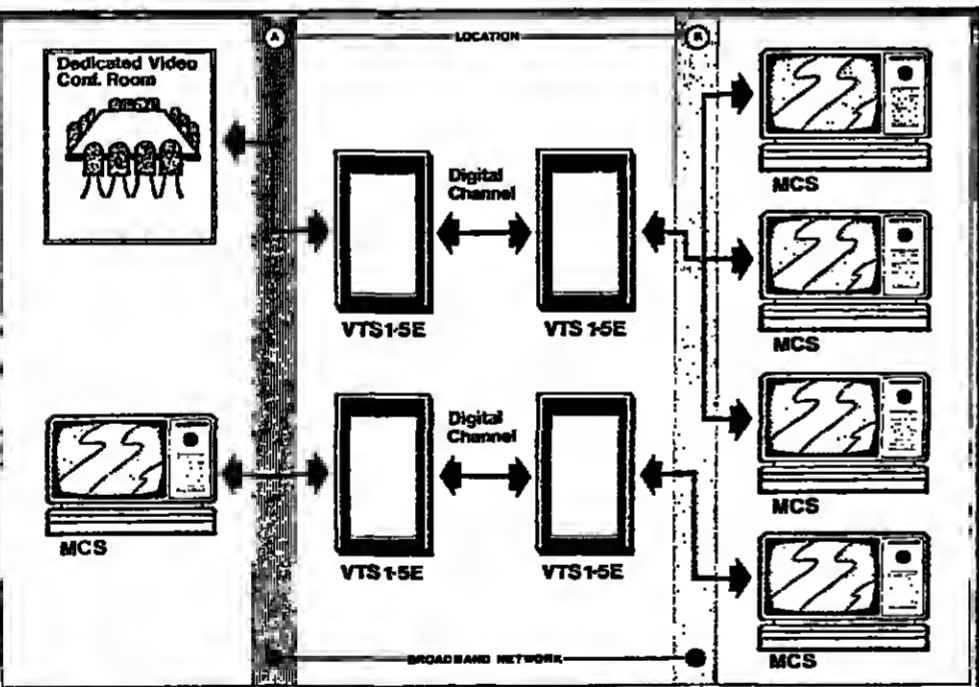
But these "bandwidth compression" systems have tended to degrade definition of the picture, particularly where components of it are in motion. In addition, facilities for video-teleconferencing have frequently been either cumbersome or simply inconvenient—often the participants have had to travel to a local conferencing centre.

A small company (70 people, nine Ph.D.s) in Silicon Valley called Compression Labs Inc. (CLI) appears to have mastered the compression problem with a new system called VTS 1.5E to become available in October at \$145,000.

It can operate at user-selected transmission rates from 512 kilobits per second up to the European channel rate of 2,048 megabits/sec. Normally, a broadcast colour TV picture occupies about 6 MHz.

The company says that the new system allows more transmission bandwidth to be used for multiplexing other information at the same time as the compressed video, such as audio, graphics or binary data.

CLI has also developed a compact camera/projection conferencing system that is said to



Compression Labs Inc. of San Jose has developed equipment that allows moving TV pictures to be transmitted relatively cheaply over a standard 2,048 megabits per second digital channel. Diagram shows how each end of a digital link the microconferencing system (MCS) can exchange signals at a normal broad bandwidth while the VTS 1.5E equipment handles the long-distance "compressed" connection.

eliminate the need for a specially fitted room. Known as the mini-conferencing system (MCS), it costs \$38,000.

Until recently CLI's chief product competitor was Nippon Electric Company (NEC) in Japan, but GEC Microelectronics in the UK now has a system designed to suit the European 2Mb/s channel standard.

CLI's technology, called differential transform coding (DTC), uses two techniques called interframe and intraframe picture coding.

As in all modern TV picture processing, each raster is digitised into pixels (minimum picture elements) and held in solid state store, from where it can be processed.

In interframe coding, a fairly well established technique, the value of each pixel in successive frames is compared, pixel for pixel, with preceding frames. Only the differences in values are transmitted. Thus, in a picture, no changes would be detected and the transmission bandwidth required is low.

But as motion increases, more and more pixels undergo value changes and the required band-

width increases, possibly beyond what has been allocated, giving rise to jerky motion or blurred portions of the screen.

In intraframe processing, each frame is lacking without reference to any other, but the picture area is divided up into about 800 groups of 16 x 16 pixels in rectangular clusters called cells. These are scanned, encoded and the compressed digital result for each cell is transmitted.

Since there is no frame-to-

frame relationship, the technique is virtually independent of movement. But because the compression is applied to each frame, picture quality is somewhat less crisp than an interframe display of low-motion content.

In an algorithm of its own, CLI has combined its previously developed versions of the two techniques so that, as movement in the scene increases, there is no serious loss of quality.

So far Xenix has been mainly used with minicomputers but

In fact, at a recent demonstration in San Jose the only visible effect of 120 times compression of the picture data rate was a slight delay of rapid movement which with no live action for comparison, would not be seen at the receiving end of a link.

The VTS 1.5E also has a graphics option which lets users run the system in a still-frame mode at a much reduced transmission rate of 56 to 64 kilobits/sec.

For those meetings that do not require full motion video and can be conducted using still-frame graphics and sound, the transmission rate can be reduced significantly along with transmission costs.

It seems likely that CLI will be making its systems available soon in Europe, although it admitted that the bulk of the market is in the U.S. at the moment where the dish on the roof or on the corporate lawn is becoming a common sight.

Nevertheless, CLI has been talking to C&I and Wiggins, Plessey and STC among others. The company also does not deny that the technique is applicable to over-air television and by the same token to cable TV.

In the longer term it means that the present congestion of the airwaves in broadcast TV bands could be relieved and that the cost of cable TV transmission could, presumably, be cut. Alternatively, higher definition pictures could be transmitted without the normally assumed bandwidth penalty.

Certainly, all the major TV organisations are conducting research in this area. But the real world of TV transmitters and receivers is analogue at the moment. It is a big change to make.

## Logica offers Xenix version 3.0

THE LINKING of Logica's name with Microsoft via a second sourcing agreement for the Xenix computer operating system—and therefore with Bell Labs which developed the original Unix operating system upon which Xenix is based—puts the UK company in a strong European marketing position with the 3.0 version which has just become available.

So far Xenix has been mainly used with minicomputers but

Xenix 3.0 is a commercial implementation of the multi-user Unix System 3 tailored specifically to 16 bit microcomputers. Specific enhancements for the micro market include menus, support for mouse screen pointing devices and the ability to read and write to files generated via MSDOS, the increasingly popular Microsoft operating system.

Hector Hart, commercial manager of Logica's software products group, says he has

several major hardware firms interested, including Tymco, Plessey and GEC. In the U.S., Apple's Lisa and the Tandy Model 16 will be the first to run Xenix 3.

Logica is currently devoting 41 people to the exercise including eight salesmen chasing OEM prospects. Hart expects the turnover contribution to Logica to exceed 10 per cent within three years, compared with the present level of about 2.5 per cent. More on 01 637 9111.

CARBON FIBRE IN SPORT

## 'Open throat' should swallow tennis elbow

BY IAN HAMILTON FAZEY

A BRITISH design team will test a new racket almost instantaneously. Because the open throat allows the racket head to flex under stress—so that one half is usually twisting in the opposite direction to the other—little of the energy involved is absorbed by the frame.

The advantage of this is that the full power of a tennis stroke is transmitted across the whole racket face, and this happens regardless of which part of the face the ball is struck. The effect is to maximise the amount of power transferred to the ball.

In conventional rackets the shock radiates outwards from the point of impact, to be considerably absorbed by the closed loop of the frame. This makes the racket "whip" and not only robs each stroke of some of its power but may cause tennis elbow through the cumulative transmission of that absorbed shock along the forearm.

"Whip" has been thought in the past to be an important element in racket's "power," contributing to things like speed of serve. Mr Gordon Tilley, managing director of Win Sports Products and keen tennis player, says that this notion has now been discredited by his research.

He says that the new design could not have been constructed from "chopped-up bits" of carbon fibre used in existing, misnamed, "graphite" rackets. Only continuous strips of the material, bonded with aerospace grade epoxy resins and combined with high-damping core material, give a structure of sufficient strength and rigidity to cope with the open throat while still being light enough to wield.

The racket goes on show at ISPO, the world's largest sports trade exhibition, in Munich next month. Worldwide patents have been applied for and the two companies involved are resisting selling the idea to a large manufacturer, many of which already use Win designs of conventional rackets.

It is expected to retail at between £150 and £200. Already several of the world's leading players have asked to try it out but Mr Tilley is not hopeful of that leading anywhere because, he says, "they will all continue to play their tournaments with the rackets they are paid to play with."

EDITED BY ALAN CANE

Atlas Copco

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## Direction finding Sound research

A RESEARCH team under Professor Philip Harper at Heriot Watt University, Edinburgh, in association with British Technology Group has devised a technique for determining the direction from which sound is coming.

An important application will be in the determination of the position of drilling bits in oil exploration, currently carried out with microphones placed in existing adjacent wells.

The new system uses the vibrations set up sympathetically in the ring edge of a hemisphere placed in the sound field. The effect is described as rather like vibrating a wine glass, the results are mathematically complex but the main practical result is that the modes of vibration are fixed in relation to the direction of the impinging sound closely enough to determine the bearing of the sound to within one degree.

The vibration is monitored by very small, lightweight sensor strain gauges placed around the edge of the hemisphere, which is 100mm in diameter, 1mm thick and machined to very high accuracy.

Other applications are expected in underwater sound determination and navigation systems for submarines. More from Gordon Rollinson at BTG on 01-463 6868.

## Briefly...

EATON launched DataSpec 1.2, a diagnostic component tester specifically developed to meet the needs of Europe. Eaton Corporation is in Maidenhead on 0628 22326. ASEA developed a continuous process control system called Novatrac which automatically adapts control parameters match changing process characteristics. London 01-930 5411.

## UK COMPANY NEWS

## Standard Chartered 15% ahead at £116m

DESPITE THE need to make large provisions for bad and doubtful debts, particularly in the UK and Hong Kong, the Standard Chartered Bank pushed its pre-tax profits up to £116.4m for the half-year to end-June 1983, an improvement of 15 per cent over the £100.9m returned for the opening half of the previous year.

The provisions rose from last time's £30.7m to £60.1m and were made up as to specific £53.1m (£29.3m) and general £7m (£1.4m).

The market appeared to be less than pleased with the results and the share price closed 23p lower at 470p.

An interim dividend of 9.5p (9.2p) net is being paid and, as indicated at the time of the rights issue, last April, the directors expect to recommend dividends in respect of the full year amounting to at least 27p (same) on the enlarged share capital.

In their interim report they say that group profit experience this year has been mixed, with strong performances in South Africa, California and the UK International and Treasury divisions, a turnaround into profit in Chartered Trust and rather flat or lower results in the East.

After financing costs, the Midland and International Banks acquisition made a contribution of £2.5m for the April/June period.

Apart from the provisions for bad and doubtful debts pre-tax figures were struck after deducting £18.5m (£18.5m) interest on subordinated loan capital and adding a £12.7m (£12.7m) share of associates profits.

Tax accounted for £48m (£44.7m) and after minorities £13.9m (£10.3m), and extraordinary debits last year of £1.2m profits at the attributable level emerged at £54.5m, compared with £45.9m.

Interim dividend payments absorb £14.8m (£11.9m) to leave retained profits of £39.7m (£29.6m).

Taking account of the rights issue, the earnings came through at 29.1p (38.4p) per £1 share.

For the 1982 year the bank returned pre-tax profits of £242m. It is proposing to change its name to the Standard Chartered Bank Group.

See Lex

## Heavy exploration costs cut into Lasmo profit

A VERY heavy exploration programme carried out by London and Scottish Marine Oil has hit the results for the first half of 1983.

Exploration expenditure written off increased by £19.9m to £24.3m. Although this was offset somewhat by an exceptional £10.6m interest on past overpayments and a refund of past operating expenses paid to the company as a result of the small downward re-determination of its Ninian Field share, the net profit for the period fell from £22m to £17.8m, after tax of £33.9m, against £42.2m.

In the first half sales rose from £116m to £122.1m, and profits from the sale of oil and gas, less amortisation and operating costs, were held at £79.1m (£73.3m). Earnings were 20.9p (23.5p) and the interim dividend is held at 4.5p per share but on the higher capital as increased by the rights issue.

The chairman, Mr Geoffrey Searle, says the exploration programme has been exceptionally heavy and "will be nowhere near this" in the second half. He also expects the write-offs to be "nowhere near" those of the first half.

Production of oil and gas totalled 40,000 barrels of oil equivalent per day (32,200). The UK fields (Ninian and Beatrice) contributed the majority share of Lasmo's entitlement to oil and LPG production at rates of

some 31,000 barrels per day. Its entitlement will be reduced in the second half due to the Ninian Field re-determination which requires the group to pay back 2.4m barrels over a 16-month period, commencing July 1 1983. Ninian operating costs, production taxes and OPE payments will also be reduced as a result.

The Hewitt Gas Field (Lasmo 4.62 per cent) averaged production net to Lasmo of 20m cu ft per day, and the share of oil production in S.E. Sumatra and the U.S. contributed net to Lasmo 3,800 and 1,900 barrels per day respectively.

The crude oil price of UK production in sterling terms averaged £19.31 per barrel for the first half of 1983 which is a slight reduction in sterling proceeds per barrel for the similar period last year.

During the half Lasmo participated in 50 development wells which resulted in 43 oil and injection wells, one gas well and six dry holes. A further seven wells were in the process of being drilled at June 30.

Some 10 oil and gas fields are currently being appraised for further or future development. In the UK the "B" platform of the Beatrice Field (Lasmo 15 per cent) should be operating next year. Already Lasmo currently receives some 4,400 barrels per day and the new platform will add an estimated 2,000 to its entitlement. Subject

to consent from the Department of Energy, construction of the Beatrice "C" platform should start in 1984.

Capital expenditure for production and development activities was £14.3m and total expenditure for the year is expected to be approximately £22m.

Since the end of 1982 a number of important changes have taken place as a result of which the finances of the group have been considerably strengthened.

The Beatrice acquisition has been financed by two bank loans aggregating £80m; the rights issue raised £43.7m; and since the end of June £19.3m has been raised by an issue of preference shares.

As a result the capital base has been strengthened and a significant shift away from short term to medium and long term debt has been achieved. The debt equity ratio was 1.8:1 at the beginning of the year and at June 30 1983, before the issue of the preference shares, it was 0.6:1.

Next year Indonesia should be producing a positive cash flow. The changes in the 1983 Finance Act have improved the oil tax situation considerably. Exploration drilling is now significantly more attractive to groups like Lasmo with established UK production. Immediate relief

See Lex

## Boost for Phoenix Properties

A TURNAROUND from associate losses of £30,000 to profits of £57,000 at Phoenix Properties and Finance has helped boost pre-tax profits from £22,000 to £22,200 for the six months to the end of March 1983.

The directors predict a satisfactory outcome for the year as a whole.

Pre-tax profits also included a £34,000 share of development profit this time.

The associate Kane Investments improved figures were largely due to the sale of part of its office development site at Swindon to the Prudential Assurance Company on March 31 1983. Since then the sale of the mixed office and shop development at Reading has been completed and preliminary discussions on funding the remainder of the site at Swindon are taking place.

At Gatwick, a planning inquiry into Kane's proposed high technology development over 89 acres has recently been concluded and the findings will not be known for some months.

The performance of Kane, and, in particular, the outcome of the planning inquiry at Gatwick, will exert an important influence on future profits. However, there are sufficient grounds for the directors to expect a satisfactory result for the year as a whole.

During the period under review rental income from investment properties was marginally lower. This reflected the temporary vacancy of some of

Phoenix's smaller units, which are being relet. This should not have a material effect on the level of income for the year as a whole.

All losses have been eliminated from financial and investment and from personnel services—this last activity has now been discontinued, say the directors.

At the operating level profits were up from £69,000 to £107,000, which included rental income of £74,000 against £59,000. Pre-tax interest received of £5,000 against £16,000 paid last time. Head office expenses took £47,000 (£37,000).

There was a charge for tax this time of £34,000. Earnings per 25p share were shown as increasing from 0.3p to 1.3p.

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## Copydex sharply ahead midway

FOR THE six months ended June 30 1983 profits of Copydex totalled £363,000 pre-tax, a sharp improvement over the £37,000 returned for the same period last year, and the interim dividend is being restored with a payment of 2.25p net per share.

The directors say that the re-organisation policies referred to in the accounts improved profitability considerably and they anticipate that pre-tax profits for the second six months will not be less than those reported for the first half.

It is pointed out that alterations in management structure are working well and that they are bringing about substantial economies and higher levels of efficiency and service to customers.

In particular, advances being made in marketing and sales are "noteworthy." Changes in manufacturing, distribution and administration procedures are also taking place and will further reduce operating costs.

Chairman Mr C. A. Leach regards the company's affairs as "being on a different and much improved footing" and he believes it will continue this progress as further planned changes take place.

First half turnover advanced from £34.5m to £41.6m; the group manufactures adhesives, do-it-yourself products and floor covering accessories.

Earnings per 10p share rose to 5.94p (1.11p) after tax of £182,000 (nil).

For the 1982 year taxable profits totalled £191,000 (£100,000) and a final dividend of 2.5p was paid.

## Revenue slips at First Scot. American

FOR the six months to July 31 1983 First Scottish American Trust produced revenue of £796,460, a reduction on the £851,856 of 1982.

Net asset value per 25p share is given as rising from 168.3p to 256.5p.

The net interim dividend has been held at 1.4p—in the last full year a final of 3.75p was also paid. For the six months earnings per share were shown as slipping from 2.75p to 2.47p.

## Triplex sees recovery signs at year end

Trading progress and results of Triplex Industries were known for the first three months of the current year Mr L. Robertson, chairman, told shareholders at the annual meeting.

He said that it was early and much could yet happen but in some areas there were small but real signs of improvement. He believed that the year's outcome would reflect the beginnings of group recovery.

Last year the company, whose principal activities include production of grey iron and aluminium castings, incurred a pre-tax loss of £932,000 (£397,000), and paid a single dividend of 0.5p (1p).

Income was ahead from £319,571 to £379,545. However, after bank interest increased to £51,782 (£18,740), higher interest and other charges of £282,418, net revenue came out at £166,892 (£179,808).

Yearlings

The interest rate for this week's issue of local authority bonds is 10 1/2 per cent, down a eighth of a percentage point from last week and compares with 10 1/2 per cent a year ago.

The bonds are issued at par and are redeemable on August 29 1983.

A full list of issues will be published in tomorrow's edition.

## Taylor Woodrow advances £1.98m at interim stage

Taylor Woodrow, the international engineering, construction and development group, raised its first half pre-tax profits by £1.98m to £11.62m on turnover 10 per cent higher at £317m, compared with £287m.

Earnings for the period, to end-June 1983, rose by 3.4p to 20.1p per share but the net interim dividend is being held at 5.5p—a final of 14p was paid previously.

In a statement last June Mr Richard Futick, chairman, said the results for the current year to date were marginally ahead of those of last year and that the group had no problems at that time that were likely to have an adverse effect on its trading position.

He said that the current order book stood at £327m. First half turnover included a £55m (£54m) share of related companies. Pre-tax figures were struck after deducting depreciation of £5.15m (£5.8m) and adding a £1.71m (£1.8m) share of related companies profits.

Tax accounted for £3.02m (£2.42m) and after minorities £1.98m (£1.00m) to leave available profits ahead at £3.92m, against £4.94m.

comment

Taylor Woodrow's housing operations were unusually depressed 18 months ago. The subsequent decline in interest rates, however, has meant that the house-building, particularly in



Mr Richard Futick, chairman and chief executive of Taylor Woodrow.

Canada and to a lesser extent in the U.S. provided the main impetus behind a 20 per cent increase in pre-tax profits, indicating that the group could make £34m for the full year. However, the market was unimpressed and the share slipped 8p to 544p against net assets of £21p. The profits rise masks a slight tightening in margins at the trading level chiefly due to continued shortfall of work in the UK contractors' market. U.S. housing has also been held back by delays in legal and planning matters, but there is no risk of coming unstuck in the current per cent tax charge.

The group continues to hold up in tough conditions in the Middle East and Far East, countries that it is seeking to penetrate. At Nigeria, a property side, which has contributed an increasing share of earnings in recent years, continues to improve. When the St. Katherine's Dock development is fully let at the end of this year, it should add around £2m to gross rental income, which ran at £18m last year. On yesterday's prices, the shares stand on a prospective multiple of 25.5, against a 43 per cent tax charge.

## Rentokil sees continued growth

DURING THE first six months of the year pre-tax profits of the Rentokil Group advanced from £5.1m to £5.4m, and the directors expect "strong growth" to continue in the second half.

Profits both at home and overseas improved in the half year to June 30 1983 with the UK contribution up from £3.7m to £3.9m. Turnover of this timber preservation and pest control company was £5.9m higher at £39.8m, which breaks down into £3.7m (£3.2m) from overseas and £2.6m (£2.5m) from the UK.

Recovery continued in the U.S. business, which broke even over the period.

In the second half of last year pre-tax profits from the UK amounted to £5.5m from turnover of £29.3m, and overseas £3.2m from £29.4m.

The interim dividend is lifted from a adjusted 0.6p to 0.675p after allowing for a one-for-one scrip issue.

Tax took £4.2m (£4.18m), minorities £55,000 (£55,000), and extraordinary credit nil (£59,400). There was an exchange deficit of £24,000 (£41,000 surplus) arising from the translation into sterling of net assets—overseas, which has been taken direct to reserve.

comment

Rentokil has been standing on a challenging PE in the high 20s for several months, sustained by an optimistic statement from the chairman, Mr Ken Briggman, in the annual report and bullish comments from brokers.

The interim figures published yesterday were a little below expectations, but management expects a better second half from the U.S. and Europe which could bring pre-tax profits for the year up to £20.5m. With the share price down 2p to 135p, that puts Rentokil on a prospective fully taxed PE of just under 28.5. The company has a hard battle on its hands to sustain present growth levels, but some of the commentators say the U.S. has broken even by the half-way stage and will certainly contribute to profits at the full year. South Africa is riding the rough recession with profits down, but "not significantly." Australia has returned to normal trading levels while New Zealand has had a dip, but some of the commentators say the world-wide growth in profits over some years. UK growth has been more modest at 2.4 per cent though some improvements in margins have been achieved in the face of stiff competition.

IN HIS statement accompanying the report and accounts for the activities in the U.S. with Arthur Weir, the chairman of RIT and Northern, tells shareholders that internationally, a number of major initiatives have been taken to strengthen the group's position.

Of these, he reveals, one was a major commitment to investment banking in the U.S. He says the group has now exercised an option to subscribe for 25 per cent of L. F. Rothschild, Unterberg, Towbin, a prominent U.S. investment banking company.

Lord Weir says it is also proposed to convert into equity the group's initial investment, comprising a limited partnership interest and a loan note.

As a result the group have committed some £63.5m towards increasing the equity capital base of the enterprise and its 50 per cent stake as a general partner will be its largest single investment.

A significant increase in activities in the U.S. with Arthur Weir, the chairman of RIT and Northern, tells shareholders that internationally, a number of major initiatives have been taken to strengthen the group's position.

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Mr Goldstone, however, has claimed that the decision to close the cable division had been taken with "undue haste" paying "insufficient attention to other options for the division which could have led to fewer redundancies."

Mr Goldstone said yesterday from the U.S. that he will be sending a formal letter to shareholders outlining his side of the story by next week. The Goldstone family is reported to own between 7 to 10 per cent of Ward & Goldstone shares.

The company said Mr Goldstone does not have a service agreement. He has been offered 12 weeks' salary in lieu of notice as severance pay.

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## Hongkong Bank

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability.

## 1983 Interim Results

The Directors announce that the unaudited profit of The Hongkong Bank Group for the six months ended 30 June 1983 was HK\$964 million (1982: HK\$885 million), an increase of 8.6%. The profit was arrived at after providing for taxation and after making transfers to inner reserves, out of which provision for changes in the value of assets has been made.

The Directors have declared an interim dividend of HK\$0.18 per share (1982: HK\$0.1636 adjusted), an increase of 10%. The dividend will be payable on 7 October 1983 to shareholders whose names are on the Register of Shareholders on 23 September 1983 and will amount to HK\$412 million (1982: HK\$374 million).

The following is an unaudited profit and loss statement for the six-month period under review.

Six months to 30 June 1982	HK\$	£m	Six months to 30 June 1983	HK\$	£m
Net profit of The Hongkong and Shanghai Banking Corporation and its subsidiary companies	977	95		1,010	92
Share of net profits of associated companies	127	12		230	21
	1,104	107		1,240	113
Profit attributable to minority interests in subsidiary companies	(216)	(21)		(276)	(25)
Profit attributable to the shareholders of The Hongkong and Shanghai Banking Corporation	888	86		964	88
Transfers to reserves by subsidiary and associated companies	(52)	(5)		(74)	(7)
Interim dividend	(374)	(36)		(412)	(37)
Balance brought forward	462	45		478	44
Exchange adjustments	1,169	113		2,028	185
	25	3		92	8
Retained profits carried forward	1,656	161		2,598	237
Earnings per share (adjusted)	HK\$0.39	£0.04		HK\$0.42	£0.04

The following Consolidated Balance Sheet details are also given for the information of shareholders:

31 December 1982 (audited)	HK\$	£m	30 June 1983 (unaudited)	HK\$	£m
Total Assets	379,186	35,932		428,361	39,084
Shareholders' Funds	15,606	1,479		16,736	1,527

To conform to generally accepted international accounting practice, the results of major associated companies have been included in the profit on an equity basis with effect from the year ended 31 December 1982. The figures for the six months to 30 June 1982 have, therefore, been restated on that basis.

## Prospects for the rest of 1983

Until there is a successful conclusion to the talks now going on between Great Britain and China regarding the future of Hong Kong, it is likely there will be a degree of nervousness in the local market, particularly in the property sector. The economic recovery in the industrialised countries and notably the United States is continuing although the lesser developed countries still face balance of payment problems.

While the banking industry continues to have difficulties in a number of areas the Directors consider that Group profitability will remain at a satisfactory level and are confident of being able to recommend a final dividend of not less than HK\$0.37 per share.

## Closing of Register of Shareholders

The Register of Shareholders will be closed from 12 September until 23 September 1983 (both dates inclusive). In order to qualify for the interim dividend, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 p.m. on 9 September 1983.

By Order of the Board  
F. R. Frame  
Secretary

Hong Kong, 23 August 1983

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G. TOWBIN

Table with 2 columns: Market, Page

# SECTION III - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Wednesday August 24 1983

17  
French agency  
launches \$75m  
Eurobond, Page 28

### WALL STREET

## Searching for an interest sign

MARKETS on Wall Street remained poised for a sign on the outlook for U.S. short-term interest rates yesterday. The key Federal Funds rate, keenly scanned as an indicator of the policies of the Federal Reserve Board, traded at 9 1/2 per cent, a shade lower than overnight. But credit markets could make no headway, and stock prices slipped lower, pushing the Dow Jones Average down through the 1,200 mark once more, writes Terry Byland in New York.

The bond market opened firmly despite some disappointment at the announcement of a small rise in consumer prices over July. There was again a lack of retail buying support and the market was left to drift uneasily while the debate on interest rates continued.

The stock market traded sluggishly, with investors clearly unwilling to take up new positions. The major institutions were again picking up substantial lines of stock, sometimes below the market price. The Dow Jones Industrial average was down 10.26 points at 1192.89 at the close.

A block of 1m shares in National Steel, the number four steelmaker, changed hands at \$25 1/2 following the

signing of a definitive agreement to sell the Weirton plant to the workforce.

Among major stocks to turn down, IBM at \$119 lost \$2 1/2. On the over-the-counter market, shares in Amstar, whose products compete with IBM's fell \$1 1/2 after reports of a delay in the introduction of the series 3880 its new model.

Shares in American Telephone and Telegraph continued to edge forward on the hope that the strike will be settled this week. At \$68 1/2, the shares had gained \$1 1/2.

Shares in MCI eased following publication of a Federal Communications Commission decision on charges for entry to phone lines. The report, however, did not differ fundamentally from the Commission's preliminary decision publicly announced at the end of last month.

A dull motor sector was led lower by General Motors, which lost \$ 1/2 to \$87. General Electric, at \$47 1/2 shed \$ 1/2.

A batch of trading statements from major companies produced only a few changes in share prices. Deere, the farm equipment manufacturer, edged higher to \$38 1/2 on reporting higher third quarter earnings. Firestone improved by \$ 1/2 to \$19 1/2 after reporting a similar improvement. Among the financials, shares in Bancal Tri-State soared \$1 3/4 to \$47 after an agreed bid from Mitsubishi Banking.

In the credit markets, rates opened slightly above overnight levels in response to the regular Monday auction. The three month bill traded at a discount of 9.20 per cent, a gain of four basis points, and the six month bill at 9.32 per cent was only one basis point up.

The crucial point for the market remains the trend of the federal funds rate. Market analysts were busy yesterday trying to guess the outcome of this week's meeting of the Fed's Open Market Committee.

The key long bond, the 12 per cent of 2013, touched a new peak of 103 1/2 bid at one time, but by mid-session had softened to 103 1/4, at net 1/2 down on the day. In the municipal bond markets, yields were also little changed from the previous session.

### LONDON

## Record run ends in a tumble

A SHARP reversal in the recent sustained equity advance to record levels took London markets by surprise yesterday.

Continued pressure on American favourites such as ICI - quoted ex-dividend in the U.S. yesterday - and Glaxo, with revived easiness in early Wall Street trading, accelerated the fall. The FT Industrial Ordinary share index closed 16.4 down at 724.0 - its highest one-day fall in two years.

The sudden change in sentiment cast a pall over many speculative issues - none more so than British Sea oil hopefuls. Further suggestions of forced selling after Monday's release in the sector accompanied fresh offerings and the weakness later spilled over into leading stocks.

Gilt-edged securities remained aloof to the equity market's troubles. Business was inhibited by considerations connected with Monday's Government funding via the £500m issue of two tranches of existing stocks, and all maturities eased a fraction from a firm opening.

Australian equities raced ahead once the budget proposals were known in London. Leading stocks recorded good rises across the board, and the second-liners strengthened in sympathy. Details, Page 21, Share Information Service, Pages 22-23.

BULLISH overseas factors appeared to exert more influence in Sydney and Melbourne yesterday than concern over the federal budget, and the All Ordinaries index rose 3.7 to 684.4.

Although the budget announced no resource rent tax, capital gains or gold mining taxes, there were sweeping changes made to the country's sales tax.

Oil and gas stocks advanced widely for the sixth consecutive session. Bridge rose 15 cents to A\$3.30, Crusader five cents to A\$3.75 and Santos and Claremont each added two cents to A\$7.98 and A\$1.42, respectively. BHP closed unchanged at A\$11.65.

A FRAGILE and lacklustre day of trading took stocks slightly lower in Hong Kong. Institutional traders seemed cautious and small investors appeared to shun the market.

Some late selling brought the Hang Seng index down by 7.09 to 993.14, unable to sustain the 1,000 mark.

Hongkong and Shanghai Bank ended five cents lower at HK\$7.85 ahead of its better than expected earnings, up 8.6 per cent from the previous year to HK\$84.4m. Hang Seng Bank was 75 cents off at HK\$44.25.

A LACK of follow-through buying and scattered profit-taking in the afternoon caused shares in Singapore to shed their initial gains. The Straits Times index closed 1.08 down at 985.10.

Industrial and financials suffered small losses, while plantations, which had reached new highs for the year on Monday, also eased. Consolidated and K.L. Kepong were both four cents lower at S\$3.04 and Highlands and Lowlands was down two cents to S\$3.52.

A FIRMER bullion price brought gains in most gold shares in Johannesburg, although stocks generally closed below the day's highs and in some cases late profit-taking led to small declines.

Randfontein marked the trend among heavyweights, closing R2.50 up at R17.0, while cheaper - priced gold producers gains stretched to 25 cents, as in Blyvoor at R18.75.

THE UNCERTAIN tone on Wall Street was reflected in a virtually static position on Canadian markets at mid-session.

A sharp advance in golds was countered by a downturn in other sectors to leave the Toronto 300-share index unchanged at midday. Volume leader Cadillac Fairview was unchanged at C\$38, Alcan was off C\$ 1/2 at C\$47 1/2 and Canadian Pacific Enterprises shed C\$ 1/2 to C\$21 1/2.

In Montreal, stocks were slightly higher, with the composite index registering a gain of just over half a point.

### TOKYO

## Late shift to shipping hits the leaders

A LATE wave of profit-taking took prices lower in Tokyo yesterday after reaching record midday levels almost across the board. The initial strength was based on the Wall Street Dow Jones average recovering to above 1,200 and the yen's continued appreciation against the U.S. dollar, writes Shigeo Nishizaki of Jiji Press.

The Nikkei-Dow Jones average of 225 select issues shed 34.57 to 9,188.18, slipping below the 9,200 mark reached on Monday. Losses outpaced gains 344 to 314, with 187 issues unchanged. About 430m shares changed hands against 300m the previous session.

Bond prices firmed as a drop in U.S. interest rates spurred buying.

As share prices rose in New York and the yen gained to ¥241 against the dollar, investors bought blue chips and speculative issues. This pushed the barometer up 20.15 to an all-time high of 9,223.90 at the close of the morning session.

But in the afternoon, popularity shifted to Japan Line, frequently the target of speculators, causing a profit-taking surge in blue-chip stocks.

The shipping issue gained ¥13 to ¥202. Arabian Oil shot up ¥800 to ¥8,300 and Aoki Construction ¥64 to ¥630. Speculation over the development of new drugs sent Sankyo up ¥31 to ¥791 and Takeda Chemical ¥11 to ¥848.

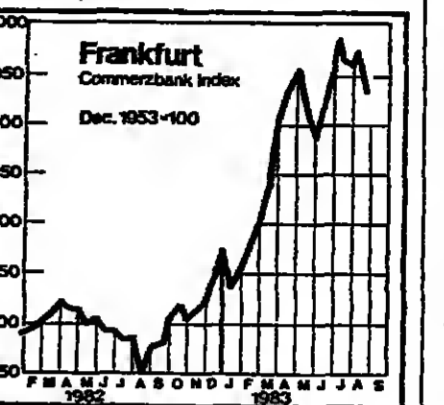
But NEC, which had been especially popular, plunged ¥50 to ¥1,510 and other major blue chips also dropped. Among them, Hitachi lost ¥12 to ¥881, Oki Electric ¥12 to ¥730 and Matsushita Electric Industrial ¥20 to ¥1,640.

The combined margin buying balance on the Tokyo, Osaka and Nagoya exchanges as of last Saturday, announced after the close of the market, increased ¥22.8bn over the preceding weekend to ¥2,314.2bn, coming close to the record ¥2,318.1bn of July 30. The balance will thus emerge as a market-depressing factor. The margin selling balance amounted to ¥278.8bn, or ¥3.8bn.

Bond prices firmed in anticipation of a rise in the near future. City, regional, trust and long-term credit banks sold 7.5 per cent Government bonds with a little over nine years remaining to maturity in lots of ¥1bn to ¥2bn.

These bonds were purchased by federations of credit associations in units of ¥20bn to ¥30bn.

With the rise in actual demand, the bond market environment is improving. But bears still outnumber bulls among institutional investors and securities houses as regards the outlook for October and beyond.



### EUROPE

## Brazil's debt decision a dampener

BRAZIL'S decision to suspend debt payments to Paris Club member countries, which emerged at the weekend, weighed against West German, Swiss and Dutch markets yesterday after Monday's impetus, provided by U.S. interest rate optimism, had abated.

The suspension of these government-to-government debts is separate from Brazil's new debt financing programme with the International Monetary Fund, which emerged later in the day.

In Frankfurt, even mid-session buying from domestic and foreign investors, trying to take advantage of the initial price decline, failed to reverse the downward trend which has become evident over the past couple of days.

The Commerzbank index shed 2.9 to 937.2 and some banks saw losses. Commerzbank eased DM 1.80 to DM 169.70, Deutsche Bank fell DM 4 to DM 310 and Bayerische Vereinsbank lost DM 1.50 to DM 315.

The motors sector also underwent selling, with Daimler down DM 7.50 to DM 563 and VW at DM 222.50, a drop of DM 2.50. BMW, however, recovered from a low DM 377 to end unchanged at DM 382.

Banks were also sharply lower in Amsterdam with NMB losing Fl 12.50 to Fl 150 after releasing its annual results. ABN was down Fl 8 at Fl 378 following its Fl 13 dividend. Internationals saw Monday's gains disappear. Akzo fell Fl 2.10 to Fl 78.20 and KLM lost Fl 4 to Fl 150.80.

Trading in Paris was more buoyant, however, boosted by Wall Street's performance and a dip in the French daily call money rate. The advances pushed the market's indices to new highs - over the past month the market indicator has risen by almost 10 per cent and is now 45 per cent above its December 31 level.

In the foods sector, BSN rose Ffr 38 to Ffr 2,057, Moët Hennessey gained Ffr 19 to Ffr 1,284 and Pernod-Ricard firmed Ffr 13 to Ffr 757.

Steel shares led a rally in Brussels on a day of easy trading. Arbed was up Bfr 28 at Bfr 1,322 and Clabecq gained Bfr 20 at Bfr 918, while Cockerill-Sambre advanced Bfr 3 to Bfr 164.

But Fabrique Nationale (FN), the arms manufacturer, slipped Bfr 10 to end at Bfr 2,550.

Utilities were little changed and oil stocks were quiet as well with Petrofina remaining unchanged at Bfr 6,040.

Early falls in banking shares spread across the market in Zurich, where investors were also uneasy over Brazil's debt problems.

Swiss Bank, Credit Suisse and Volksbank were all lower, but UBS ended up SwFr 10 at SwFr 3,280.

Prices generally eased in most sectors in Milan, through late speculative sales and profit-taking.

However, Ras, Italcementi and Franco Tosi, all controlled by industrialist Sig Carlo Pesenti, as well as the big chain store group La Rinascente, closed higher against the trend on rumours that Sig Pesenti may sell a stake in Italmobiliare.

Quiet trading and lower prices typified trading in Stockholm and Madrid.

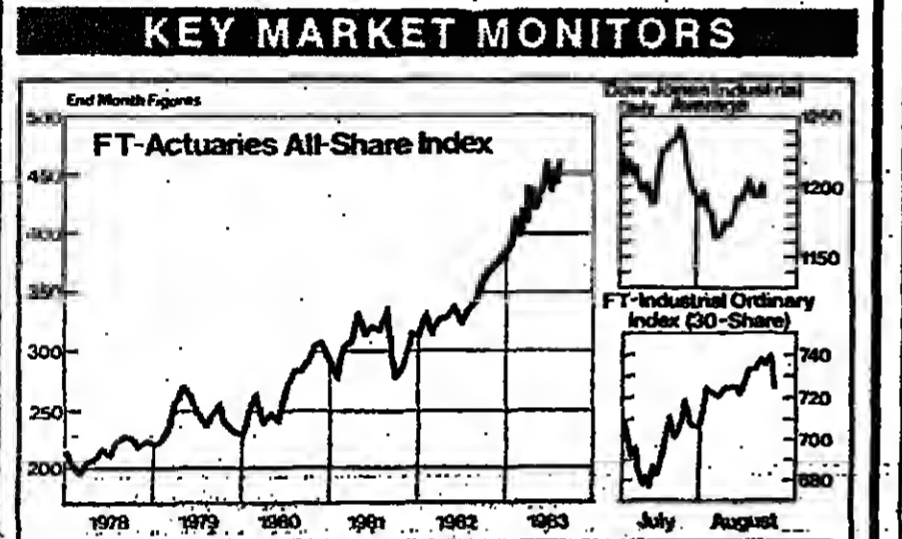


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\* Indices latest pre-close figure

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\* Indices latest pre-close figure

# The Ebic banks bring strength and experience to your financial operations

Over the past 20 years, the Ebic banks have been co-operating with each other in order to offer services which are both innovative and dynamic to their national and international customers. Their expertise has benefited small, as well as large businesses, importers, exporters, international organisations, states and, indeed, governments.

Through their interbank co-operation, their international networks and their common investments, the Ebic banks can assist in a variety of financial operations. These include business loans, export financing, euroloans, foreign exchange risk coverage, eurocurrency issues, project financing, mergers and acquisitions and many others.

Specially created by the Ebic banks are a number of common investments in which either all or the majority of the member banks have important holdings.

In Europe, for instance, there's European Banking Company SA Brussels and European Banking Company Limited in London which together, as the European Banking Group, wholly-owned by the seven

Ebic banks, offer specialised services throughout the world.

In the States, there's European American Bancorp (EAB) with subsidiaries in New York and their affiliates and branches in Bermuda, Cayman Islands, Chicago, Los Angeles and Nassau (Bahamas).

Then there's European Asian Bank (Eurasbank). Headquartered in Hamburg, it has branches in Bangkok, Bombay, Colombo, Hong Kong, Jakarta, Karachi, Kuala Lumpur, Lahore, Macau, Manila, Seoul, Singapore and Taipei.

Ebic banks also have important participations in European Arab Bank in Brussels, Cairo, Frankfurt, London and Manama (Bahrain), and in Euro-Pacific Finance Corporation in Brisbane, Melbourne and Sydney.

If you'd like to take advantage of our financial strength and experience, and would appreciate further details, then just send your business card, marked "Information on Ebic", to the Ebic Secretariat, 100 Boulevard du Souverain, B-1170 Brussels.

## Europe's most experienced banking group

Financial Times

Continued from Page 1

**Continued on Page 19**

**Continued on Page 20**

**Continued from Page 18**

Continued on Page 24

a-dividend as extral, b-annual rate of dividend plus stock dividend, c-liquidating dividend, dtd-called = d-new yearly low, e-dividend declared or paid in preceding 12 months g-dividend declared or paid in preceding 12 months h-dividend declared after split-up or stock dividend i-dividend paid this year, omitted, deferred, or not paid this year j-accumulated issue with dividends in arrears k-new issue at the point 32 weeks The high-low price begins with the start of the 32-week period l-dividend declared or paid in preceding 12 months m-stock dividend a-stock split paid in preceding 12 months n-estimated cash value on ex-dividend or ex-distribution date o-new yearly high u-trading halted, w-in bankruptcy or receivership or being liquidated, x-in liquidation, y-liquidated, z-liquidated by such companies wd-when distributed, wn-when stated, ww-with warrants, ww-dividend or ex-dividends, xx-ex-distribution, yy-ex-distribution date, zz-ex-dividend and calls for split ytd-ytd-a state in fall.

Continued on PW



## MARKET REPORT

# Leading shares react sharply with index recording biggest fall for nearly two years

## Account Dealing Dates

## Options

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were caught up in the general malaise including Suez, 114p, and Technology for Business, 75p, which both fell around 4.

Against the trend, Gilbert House improved the turn to 21p.

Adverse conditions elsewhere in equities unsettled leading

Breweries which closed with

moderate losses despite another

stock trade. Grand Metropolitan

fell 7 to 335p, while Allied-Lyons

gave up 5 to 145p. Elsewhere,

comment on the merger terms

dropped 3 from Amalgamated

Distilled Products, 122p, and 3

from Aspart Foods, 122p.

Operational selling was

evident in the Building sector.

Interim results at the top end

of market estimates failed to

beneath Taylor Woodrow, which

dropped 6 to 845p. Streeters, a

good market performer, reacted 4

to 50p. London Brick gave up 2

to 83p, awaiting today's interim

results, but Blue Circle held at

45p. The trust was not a bulder

of many of the stocks which

came on offer.

Dealers were initially only

willing to absorb the Henderson

offer, accepting the opportunity

to close short positions, but

many later became reluctant in

the face of continued pressure

on American favourites such as

ICI, quoted ex-dividend in the

U.S. yesterday, and Glaxo,

received earlier in early Wall

Street trading.

The sudden change in sentiment

caused a fall over many

speculative holdings, and some

more than 10p in the case of

ICI. Further suggestions of

forced selling after Monday's

reversal accompanied fresh

offerings, and the weakness later

spilled over into leading stocks.

Few sectors escaped the set-

back and the tone after-hours

was especially gloomy. Foreign

equities remained aloof to the

equity market's troubles. Business

was inhibited by considerations

connected with the Government

tranches of existing stocks, and

all maturities eased a fraction

from a firm offering.

## Standard disappointments

Standard Chartered took a

turn for the worse among

seas banks, falling 22 to 370p,

after 485p, following disappointing

interim results. Hongkong

and Shanghai, on the other hand,

hardened 2 to 17p in response

to the satisfactory first-half

figures. Elsewhere, selected

merchant banks found support.

Renewed speculative buying

helped Carter Holtkamp to add

3 more to 32p in Hare purchases.

The major clearers drifted lower:

Barclays lost 4 to 475p and

NatWest 3 to 355p.

Composite and Life Insurance

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## FINANCIAL TIMES STOCK INDICES

	Aug. 23	Aug. 22	Aug. 18	Aug. 17	Aug. 16	Year Ago
Government Secs.	70.67	70.68	70.61	70.78	70.73	70.62
Fixed Interest	82.68	82.63	82.63	82.64	82.68	77.95
Industrial Ord.	724.0	724.0	724.0	724.0	724.0	671.5
Gold Mines	688.2	688.2	688.2	688.2	688.2	612.5
Ord. Div. Yield	4.85	4.84	4.87	4.84	4.85	4.85
Div. Yield (V.I.)	4.82	4.81	4.85	4.81	4.82	4.81
P/E Ratio (V.I.)	13.32	13.34	13.46	13.59	13.51	13.49
Total bargains	21,058	19,968	21,700	22,235	22,536	23,270
Equity turnover	178.29	166.43	156.03	154.19	158.59	158.46
Equity bargains	18,409	17,792	19,476	19,669	20,508	19,918
Shares traded (m)	122.0	104.8	132.9	124.5	135.3	100.5

10 am 737.7, 11 am 730.3, Noon 730.2, 1 pm 728.7, 2 pm 728.3, 3 pm 728.7.  
Basis 100 Govt. Secs., 14/10/28, Fixed Int. 1225, Industrial 1/7/25.  
Gold Mines 12/10/28, 5% Dividend 1/10/28, Industrial 1/7/25.  
Latest Index 97-246 8026.  
Mid-12-48.

## HIGHS AND LOWS S.E. ACTIVITY

	1983	Since Completion	Aug. 23	Aug. 19
Govt. Secs.	85.00	77.00	127.4	144.0
Fixed Int.	84.74	72.00	100.0	113.3
Ind. Ord.	724.0	694.0	100.0	113.3
Gold Mines	724.0	694.0	100.0	113.3

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Selling Prices		Selling Prices	
Size	Stock	Size	Stock
1/2	100	1/2	100
3/4	100	3/4	100
1	100	1	100
1 1/4	100	1 1/4	100
1 1/2	100	1 1/2	100
1 3/4	100	1 3/4	100
2	100	2	100
2 1/4	100	2 1/4	100
2 1/2	100	2 1/2	100
2 3/4	100	2 3/4	100
3	100	3	100
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3 1/2	100	3 1/2	100
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4	100	4	100
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5 3/4	100	5 3/4	100
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8	100	8	100
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8 1/2	100	8 1/2	100
8 3/4	100	8 3/4	100
9	100	9	100
9 1/4	100	9 1/4	100
9 1/2	100	9 1/2	100
9 3/4	100	9 3/4	100
10	100	10	100

the following airports:

NEWYORK - NEWARK - PHILADELPHIA  
MILWAUKEE - ST. LOUIS - MEMPHIS  
TORONTO - OTTAWA - WASHINGTON  
Khartoum, Khartoum, W. Germany  
N.Y. 10019.

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1. *Journal of the American Medical Association*, 1990; 263: 1025-1026.

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# INSURANCE & OVERSEAS

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**OFFSHORE AND OVERSEAS**

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## COMMODITIES AND AGRICULTURE

## Higher food prices predicted

By Richard Mooney  
SOARING vegetable oil prices on the world market will mean higher prices for a wide range of consumer products, the National Edible Oil Distributors' Association (Neoda) warned yesterday.

In the last few weeks, oil and fats prices have risen by about 60 per cent because of the drought in the U.S., the major world supplier, the association said.

Products affected would range from soups and margarine to gâteaux and fish and chips, it added.

"Large stocks which in recent times have been carried over from harvest to harvest are being rapidly used up," explained Mr Bob Boyd, the Neoda chairman. The narrow line between surplus and shortage is being eroded.

Mr Boyd said the new situation illustrated the absurdity of the EEC Commission's proposal to tax vegetable oil consumption.

Oil World, the Hamburg-based magazine, has forecast that a serious shortage of oils and fats is likely to develop by the second quarter of next year, as world output of 14 major oils and fats to 1983-84 is likely to rise by only 800,000 tonnes at best to 53.42m tonnes.

The rise may not even reach 800,000 tonnes as the weather has remained hot and dry in U.S. soybean areas, which could cut the U.S. crop further, it said in its latest issue.

Opening 1983-84 stocks of oils and fats will be unusually small at slightly under 6m tonnes, or 11.2 per cent of usage, down from 40m tonnes in 1982-83 and the lowest stocks-to-usage ratio since 1976, the magazine said.

Total supplies will be up less than 390,000 tonnes at just under 59.9m.

## 'Golden crop' boosts Malaysian mini-oil gains

Chris Sherwell looks at palm oil gains

Malaysian authorities can barely conceal their delight these days at the upturn in world commodity prices. The country is a key exporter of rubber and timber and a growing exporter of oil and gas.

The timing of the economic recovery is helping to calm some of the officials' worst fears about Government demand on the part of

importers are buttressing this price recovery. Malaysia, in particular, is optimistic about the Indian market, where imports of vegetable oil are expected to increase substantially this year. The Soviet Union is also said to be a consistent buyer of Malaysian palm oil.

The excitement over palm oil reached a peak a month ago when, on July 21, a record 51,850 tonnes (in 2,074 lots of 25 tonnes each) was traded on the three-year-old Kuala Lumpur Commodity Exchange. By contrast, average daily turnover for the first six months of the year was 422 lots.

Palm oil output in Malaysia is 1.2 million tonnes a year. Output of 3.5m tonnes in 1982 (2.8m tonnes exported) is

expected to climb to 4.3m tonnes in 1985 and 6.5m tonnes in 1990.

But these projections are based on a forecast that the oil palm tree, through continuing research and development in Malaysia, will live up to its other label—as the tree of a hundred uses.

The most intriguing of these is in an untypical and unexpected area—as a substitute for diesel. Mr Paul Leong, Malaysia's Minister of Primary Industries, speaking three months ago at Kuala Lumpur's Palm Oil Research Institute, announced that the direct use of palm oil and its derivatives as fuels "yields a promising level of thermal efficiency of 94 per cent compared with that of petrol diesel."

Palm diesel was similar in "burning qualities, chemical stability and ignition properties," he said, and it did not give rise to petrol diesel's corrosion and pollution problems. Moreover, after allowing for existing subsidies on petrol

and diesel, palm diesel could be economically produced in Malaysia when the crude palm oil price was below M\$897 per tonne.

On top of this, Mr Leong reported that efficient palm oil mills could be harnessed as a source of electricity by being converted to methane gas which could run power plants.

With 2.5 tonnes of oilseed for every tonne of palm oil produced, enough emerged last year to generate 3 per cent of Malaysia's electricity output, according to the Minister.

These novel benefits of palm oil production reinforce the versatility of a commodity which already has multiple applications. Its edible uses include margarine, cooking and frying oil, shortening, non-dairy creamers and ice cream. It is also used in the manufacture of soap, detergent, greases, lubricants, candles and emulsifiers.

Mr Leong sees other unusual applications in prospect too: The tree could add the waste from the oil-producing bunches of fruit as compost for mushroom cultivation and manure, the trunk, fibre and shell for production of paper, the efficient animal feed, and, from the leaves as well as the oil, vitamin E—said by its promoters to combat ageing.

For Malaysia, all this is music to the ears. Palm oil cultivation has other oil-bearing crops in productivity, yield and efficiency, and Malaysia excels among the world's producers.

But there is also a note of caution. Malaysia is worried about the attitudes of bodies such as the World Bank, which takes the view that the world would be better off if Malaysia trimmed its oil palm ambitions and concentrated more on rubber.

Malaysia rejects this view, saying it supports U.S. soybean producers and other less efficient palm oil producers at its own expense. Certainly it is reluctant to give current returns on palm oil to reverse the trend of the past 20 years of substituting oil palm for rubber.

The Ministry of Agriculture and the National Farmers' Union (NFU) draw up a code of practice on straw burning each year.

The Ministry does not prosecute those who break the code but argues that local authorities can take action against farmers who contravene by-laws. It believes the answer is to educate farmers.

The NFU has no immediate plans to tighten the code. It points out that the possibility of a £1,000 maximum fine now exists and it hopes this will encourage more councils to prosecute.

Friends of the Earth dismisses this as so much chaff. It says that all councils have by-laws regarding straw burning, but that only a few have raised the fine maximum. Many did not even know it was possible to do so.

## Friends of Earth seek winds of change

By Barbara Dalzell

THE GOVERNMENT should take swift action to ban straw burning, says a report out today.

Friends of the Earth condemns straw burning as unjustifiably wasteful. It estimates that the 5.6m tonnes sent up in smoke every year has a potential value of £500m and produces enough energy to replace 56 per cent of UK nuclear output.

"Straw burning typifies the worst of British agriculture: limitless subsidies for overproduction, over-reliance on chemical, and the jettisoning of workers in favour of machines and intensive use of energy," says the report.

"It destroys any credibility that farmers have as representatives of an industry which cares for the countryside."

The Ministry of Agriculture and the National Farmers' Union (NFU) draw up a code of practice on straw burning each year.

The Ministry does not prosecute those who break the code but argues that local authorities can take action against farmers who contravene by-laws. It believes the answer is to educate farmers.

The NFU has no immediate plans to tighten the code. It points out that the possibility of a £1,000 maximum fine now exists and it hopes this will encourage more councils to prosecute.

Friends of the Earth dismisses this as so much chaff. It says that all councils have by-laws regarding straw burning, but that only a few have raised the fine maximum. Many did not even know it was possible to do so.

## Silver rises to highest level since end of May

By John Edwards

SILVER PRICES rose in London yesterday to the highest level since the end of May. The bullion spot price was raised by 20.20p to 831.70p a troy ounce at the morning fixing and remained at the higher level during the afternoon.

The firm trend was attributed to the rise in gold and a strong advance in New York reflecting the weakness of the dollar and belief that the rise in U.S. interest rates has been halted. Industrial demand for silver is also reported to be improving.

On the London Metal Exchange yesterday cash silver rose by 28.75p to a two-year high of 552.5p a troy ounce. Aluminium gained 2.5p to 21.083.5p a tonne.

FRANCONIA, the Norwegian fish marketing group, says it will stop processing and selling white meat in 1986.

INDIA is inviting tenders for up to 30,000 tonnes of platinum and 1,000 tonnes of high-grade zinc for delivery in August and September respectively.

HUNGARY expects a record bumper seed harvest of 638,000 tonnes.

BRAZIL is offering increased discounts on coffee sales to countries not belonging to the International Coffee Organisation.

EAST GERMANY said it reached its target for grain production but did not release a yield-per-hectare figure.

THE IVORY Coast may delay the start of the annual coffee campaign to ensure that beans are properly dried. Growers who risked bumper crops this year will have their crops confiscated.

## Pik corn programme repeat unlikely

WASHINGTON—U.S. Agriculture Secretary John Block says he does not expect the Government to offer a payment-in-kind (Pik) programme for the 1984 corn crop, Reuters reports.

He said a Pik programme for corn would not be needed because of the drought and higher-than-expected participation in this year's acreage reduction programmes.

The Administration will examine a whole host of options to aid farmers suffering from the drought. There is "a sizeable amount of money that could be loaned out for disaster areas,"

Mr Block also said he will attempt to lower the U.S. corn loan rate for the 1984 crop as much as is legally possible.

When the safety nets get to such a high level that they encourage production in the U.S. and other countries, we should work toward keeping this safety net at market-clearing levels 90 per cent of the time."

He acknowledged, that the stymied by Congress in its efforts to freeze target prices and lower dairy price supports.

Those farmers who participated in the Pik programme, which involves giving producers surplus Government-owned grain in return for leaving land idle—this year will not be hurt as badly by the drought as

those who did not participate.

Mr Block cited private forecasts that food prices in 1984 will rise 6 per cent, with 1.5 per cent of the rise due to adverse weather.

Mr Block said the new long-term grain agreement with the Soviet Union will give the U.S. about 40 per cent of the Soviet import market, up from the low of 20 per cent in recent years, but well below the peak of 70 per cent before the 1980 grain embargo.

In Chicago, grains and soybean futures closed locked tight in very heavy demand, with lack of rain last weekend and forecasts for only scattered showers fueling enthusiasm.

Following an initial opening of £10 lower, Robusta fell in quiet condition and moved to end the session unchanged, reports Ornel Lambert. Further gains were established early in the afternoon, but gradually faded as demand on commission house selling.

Wheat opened 60p higher on a strong Chicago market and remained in a narrow range, but gradually faded as demand on commission house selling.

Barley saw a good demand and was quickly steady, reports Mulgrave.

Grains

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Grains

## Cocoa continues to slide

BY OUR COMMODITIES STAFF

COCOA PRICES on the London futures market resumed their downward trend yesterday although most traders remained extremely cautious in their assessments of the West African crop.

The December position, which steadied a little on Monday following last week's 570 fall, ended the day 116 down at £151.50 a tonne.

No clear picture has emerged from the reports of analysts returning from on-the-spot surveys in the Ivory Coast. Most are agreed that the setting has been quite good but opinions vary about how much the continuing dry conditions will hold back pod filling.

Concern over West African crops following severe drought and bush fires earlier this year have largely been responsible for lifting futures prices to four-year highs at the beginning of this month. But values have now retreated more than £100 from the peak levels.

The market is also becoming extremely nervous about the political and economic situation in Ghana where fuel and spare parts shortages have coupled with road deterioration are seriously hampering crop transporting.

Some dealers thought the London market showed considerable strength yesterday in limiting the fall.

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Some dealers thought the London market showed considerable strength yesterday in limiting the fall.

## PRICE CHANGES

In tonnes unless stated otherwise	Aug. 23 1983	Aug. 22 1983	Month ago
<b>Metals</b>			
Aluminium	£1050	£950	
Free Mkt.	£1040/£930	£1150/£950	
Copper	£1064	£1054	
Free Mkt.	£1061/£1054	£1054/£1054	
Cash Canned	£1059.5	£1059.5	
3 months	£1059.5	£1059.5	
Gold	£251.75	£251.75	
Lead	£201.25	£201.25	
3 months	£201.25	£201.25	
Free Mkt.	£201.25	£201.25	
Palladium	£153.75	£153.75	
Platinum	£230.20	£230.20	
Gold	£251.75	£251.75	
3 months	£251.75	£251.75	
Free Mkt.	£251.75	£251.75	
Tin	£2421.5	£2421.5	
3 months	£2421.5	£2421.5	
Tungsten	£94.32	£94.32	
Wolfram	£24.14	£24.14	
3 months	£24.14	£24.14	
Producers	£850	£850	

## BRITISH COMMODITY MARKETS

In tonnes unless stated otherwise	Aug. 23 1983	Aug. 22 1983	Month ago
<b>Metals</b>			
Aluminium	£1050	£950	
Free Mkt.	£1040/£930	£1150/£950	
Copper	£1064	£1054	
Free Mkt.	£1061/£1054	£1054/£1054	
Cash Canned	£1059.5	£1059.5	
3 months	£1059.5	£1059.5	
Gold	£251.75	£251.75	
Lead	£201.25	£201.25	
3 months	£201.25	£201.25	
Free Mkt.	£201.25	£201.25	
Palladium	£153.75	£153.75	
Platinum	£230.20	£230.20	
Gold	£251.75	£251.75	
3 months	£251.75	£251.75	
Free Mkt.	£251.75	£251.75	
Tin	£2421.5	£2421.5	
3 months	£2421.5	£2421.5	
Tungsten	£94.32	£94.32	
Wolfram	£24.14	£24.14	
3 months	£24.14	£24.14	
Producers	£850	£850	

## BASE METALS

In tonnes unless stated otherwise	Aug. 23 1983	Aug. 22 1983	Month ago
<b>Metals</b>			
Aluminium	£1050	£950	
Free Mkt.	£1040/£930	£1150/£950	
Copper	£1064	£1054	
Free Mkt.	£1061/£1054	£1054/£1054	
Cash Canned	£1059.5	£1059.5	
3 months	£1059.5	£1059.5	
Gold	£251.75	£251.75	
Lead	£201.25	£201.25	
3 months	£201.25	£201.25	
Free Mkt.	£201.25	£201.25	
Palladium	£153.75	£153.75	
Platinum	£230.20	£230.20	
Gold	£251.75	£251.75	
3 months	£251.75	£251.75	
Free Mkt.	£251.75	£251.75	
Tin	£2421.5	£2421.5	
3 months	£2421.5	£2421.5	
Tungsten	£94.32	£94.32	
Wolfram	£24.14	£24.14	
3 months	£24.14	£24.14	
Producers	£850	£850	

## COPPER

In tonnes unless stated otherwise	Aug. 23 1983	Aug. 22 1983	Month ago
<b>Metals</b>			
Aluminium	£1050	£950	
Free Mkt.	£1040/£930	£1150/£950	
Copper	£1064	£1054	
Free Mkt.	£1061/£1054	£1054/£1054	
Cash Canned	£1059.5	£1059.5	
3 months	£1059.5	£1059.5	
Gold	£251.75	£251.75	
Lead	£201.25	£201.25	
3 months	£201.25	£201.25	
Free Mkt.	£201.25	£201.25	
Palladium	£153.75	£153.75	
Platinum	£230.20	£230.20	
Gold	£251.75	£251.75	
3 months	£251.75	£251.75	
Free Mkt.	£251.75	£251.75	
Tin	£2421.5	£2421.5	
3 months	£2421.5	£2421.5	
Tungsten	£94.32	£94.32	
Wolfram	£24.14	£24.14	
3 months	£24.14	£24.14	
Producers	£850	£850	

## SILVER

In tonnes unless stated otherwise	Aug. 23 1983	Aug. 22 1983	Month ago
<b>Metals</b>			
Aluminium	£1050	£950	
Free Mkt.	£1040/£930	£1150/£950	
Copper	£1064	£1054	
Free Mkt.	£1061/£1054	£1054/£1054	
Cash Canned	£1059.5	£1059.5	
3 months	£1059.5	£1059.5	
Gold	£251.75	£251.75	
Lead	£201.25	£201.25	
3 months	£201.25	£201.25	
Free Mkt.	£201.25	£201.25	
Palladium	£153.75	£153.75	
Platinum	£230.20	£230.20	
Gold	£251.75	£251.75	
3 months	£251.75	£251.75	
Free Mkt.	£251.75	£251.75	
Tin	£2421.5	£2421.5	
3 months	£2421.5	£2421.5	
Tungsten	£94.32	£94.32	
Wolfram	£24.14	£24.14	
3 months	£24.14	£24.14	
Producers	£850	£850	

## NEW YORK

In tonnes unless stated otherwise	Aug. 23 1983	Aug. 22 1983	Month ago
<b>Metals</b>			
Aluminium	£1050	£950	
Free Mkt.	£1040/£930	£1150/£950	
Copper	£1064	£1054	
Free Mkt.	£1061/£1054	£1054/£1054	
Cash Canned	£1059.5	£1059.5	
3 months	£1059.5	£1059.5	
Gold	£251.75	£251.75	
Lead	£201.25	£201.25	
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Producers	£850	£850	

## AMERICAN MARKETS

Precious metals traded in an erratic pattern with gold's volatility partially offset by declining financial markets. Silver's selling pressure was not excessive as the market kept the market open on the defensive record for the day.				
Copper was featureless after a strong start with a sharp sell-off in the afternoon resulting in nominal gains.				
Zinc was going into the close. Heating of the market was evident in the afternoon.				
Nickel closed on a note of tightness due to be reported.				
Aluminum was in the close. Sugar prices, canned goods and heavy selling pressure came under the close.				

NEW YORK				
COCOA				
10 tonnes; \$/tonnes				
Latest	Nov	Low	Prev	
2054	2108	2082	2108	2108
Sept 24	2108	2108	2108	2108
March	2129	2118	2132	2118
2148	2138	2147	2148	2148
2148	2138	2147	2148	2148
2148	2138	2147	2148	2148
2210	2210	2210	2222	2222
2195	2223	2196	2223	2223
COFFEE				
\$7.37,000s, cents/lb				
Clos				
High	Low	Prev		
105.80	105.80	105.80	105.80	105.80

## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar recovers early losses

The dollar finished on a very firm note, recovering its early losses, as traders began to suspect that the U.S. currency still has some upward movement to it at present levels, and that the long saga over the money supply may not be over, even if another figure is announced on Friday.

There were no new factors however, and little anticipation of a change in U.S. credit policy at this week's Federal Open Market Committee meeting.

Against this background, after an early decline the dollar and sterling closed little changed against Continental currencies and the yen.

The dollar-traded index (DOLLAR-TRADED INDEX (DOLLAR-TRADED INDEX) 1272 against 119.8 six months ago. The latest figures on money supply have given rise to cautious optimism, and a halt to the dollar's advance.

It had previously climbed to new records on fears of higher interest rates as a result of the U.S. Budget deficit and money supply growth.

The dollar closed unchanged at DM 2.3325 against the D-mark, at FF 12.1100 against the French franc, and at Sfr 2.3750 against the Swiss franc.

Other currencies: The pound closed unchanged at £ 1.5295 against the dollar, and at £ 1.5295 against the dollar.

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## STERLING

Trading range against the dollar in 1983 is 1.6245 to 1.6440. July average 1.6378. Trade-weighted index 85.7 against 85.8 at noon, 85.9 at the opening, 85.8 at the previous close, and 86.1 six months ago.

The pound has been fairly steady and firm of late, despite the volatility of the dollar. The absence of the Bank of England's intervention in the international capital market has been a factor.

Against this background, after an early decline the dollar and sterling closed little changed against Continental currencies and the yen.

The dollar-traded index (DOLLAR-TRADED INDEX (DOLLAR-TRADED INDEX) 1272 against 119.8 six months ago. The latest figures on money supply have given rise to cautious optimism, and a halt to the dollar's advance.

It had previously climbed to new records on fears of higher interest rates as a result of the U.S. Budget deficit and money supply growth.

The dollar closed unchanged at DM 2.3325 against the D-mark, at FF 12.1100 against the French franc, and at Sfr 2.3750 against the Swiss franc.

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## DEUTSCHE MARK

Trading range against the dollar in 1983 is 2.3115 to 2.3320. July average 2.3185. Trade-weighted index 125.4 against 125.4 six months ago.

Until the recent slowdown in U.S. M1 money supply growth the dollar was at its highest level for nearly 10 years against the D-mark, reflecting the large differential between U.S. and German interest rates. The improved M1 figure has played a major part in restraining the dollar from the earlier intervention by the Bundesbank and other central banks.

The D-mark continued to re-

run against the dollar without any sign of intervention by the Bundesbank. The dollar was fixed at DM 2.3185 in Frankfurt, compared with DM 2.3400 on Monday. This was the lowest six-month low, and followed a recent Eurodollar interest rate, and rumours about problems over Brazilian debt repayments.

Sterling was fixed at DM 4.0140, and the Swiss franc at DM 1.2294.

FRANC — Trading range against the dollar in 1983 is 8.22 to 8.5060. July average 8.2385. Trade-weighted index 66.2 against 66.2 six months ago.

The franc is quite firm against the D-mark, but stability within the system has been helped by the weakness of the D-mark against the dollar. Any permanent decline by the dollar and increased demand for the D-mark could reverse the strains from which the EMS and currencies such as the franc have suffered from time to time.

The franc was generally firm of late, but eased slightly against the D-mark. The dollar fell sharply to FF 12.1100 from FF 12.1100, while sterling declined to FF 12.1100 from FF 12.1100, and the Swiss franc to FF 12.1100 from FF 12.1100.

On the other hand the D-mark rose to FF 12.1100 from FF 12.1100.

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## LONDON

Three-month Eurodollar 100 points of 100%.

U.S. Treasury bonds (CBT) 100 points of 100%.

U.S. Treasury bills (TMM) 100 points of 100%.

U.S. Treasury notes (TNN) 100 points of 100%.

U.S. Treasury certificates (TNC) 100 points of 100%.

U.S. Treasury deposits (TND) 100 points of 100%.

U.S. Treasury securities (TNS) 100 points of 100%.

U.S. Treasury instruments (TNI) 100 points of 100%.

U.S. Treasury products (TNP) 100 points of 100%.

U.S. Treasury services (TNS) 100 points of 100%.

U.S. Treasury supplies (TNS) 100 points of 100%.

U.S. Treasury materials (TNS) 100 points of 100%.

U.S. Treasury equipment (TNS) 100 points of 100%.

U.S. Treasury vehicles (TNS) 100 points of 100%.

U.S. Treasury structures (TNS) 100 points of 100%.

U.S. Treasury systems (TNS) 100 points of 100%.

U.S. Treasury networks (TNS) 100 points of 100%.

U.S. Treasury databases (TNS) 100 points of 100%.

U.S. Treasury applications (TNS) 100 points of 100%.

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U.S. Treasury products (TNS) 100 points of 100%.

U.S. Treasury supplies (TNS) 100 points of 100%.

## A softer tone

Interest rate contracts had a softer tone on the London International Financial Futures Exchange yesterday, despite a continued downward trend in interest rates on the cash market.

Hopes of another minus figure at the weekly U.S. M1 money supply announcement took further pressure off Eurodollar and sterling interest rates, but a steady opening of the New York Federal funds rate at 9 1/2 per cent, and a Chicago Eurodollar start in line with expectations tended to take the steam out of the market.

With September Eurodollars clearing settlement interest continued to concentrate in the December month, which opened slightly firmer at 88.50, but fell to 88.40 at the close, compared with 88.50 on Monday.

Gilt cash prices opened firm, but drifted lower in quiet trading, and this had a depressive influence on Life. September delivery opened at 103.07, the highest level of the day, but finished near the day's low at 103.15, compared with 103.00 on Monday.

Life trading remained concentrated on September, but the December contract also weakened, after opening little changed at 104.10, but closing at 103.25, compared with 104.00 on Monday.

